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No. 08-747

In The
Supreme Court of the United States

CORLISS O. BURANDT,

Petitioner,

v.

JON W. DUDAS, DIRECTOR,
UNITED STATES PATENT
AND TRADEMARK OFFICE,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether equitable patent owners are entitled to the protection of 35 U.S.C. § 41(c), which permits the Director of the U.S. Patent and Trademark Office to accept late payment of maintenance fees in cases where the delay is shown to the satisfaction of the Director to have been "unavoidable."

2. Whether long standing United States Supreme Court precedent that ill-health and destitution of an equitable patent owner constitute unavoidable delay under the Patent Act is still applicable.

LIST OF PARTIES

No parties participated in the litigation of this case other than the parties listed in the caption.

RULE 29.6 CORPORATE DISCLOSURE STATEMENT

Petitioner, Corliss O. Burandt, is an individual. Petitioner states that he has no parent company and that he has no subsidiaries or affiliates that have issued shares to the public.

TABLE OF CONTENTS

	Page
Questions Presented	i
List of Parties	ii
Rule 29.6 Corporate Disclosure Statement	ii
Table of Contents	iii
Table of Authorities	vi
Petition for a Writ of Certiorari	1
Opinions Below	1
Jurisdiction	1
Statutory Provision Involved	2
Statement of the Case	2
Factual Background	5
Argument	11
I. THE UNPRECEDENTED BRIGHT-LINE RULE IMPROPERLY ABOLISHES THE EQUITABLE PROTECTION OF 35 U.S.C. § 41(c)(1) FOR AN ENTIRE CLASS OF PATENT OWNERS	11
A. The Improper Interpretation Of Section 41(c)(1) Allows The Director To Circumvent The Statute	14
B. Restricting Consideration To Only The Owner Of Record In Evaluating Unavoidable Delay Is Improper	16

TABLE OF CONTENTS – Continued

Page

C. A "Legal Title Owner" Rule For Determining Unavoidable Delay Frustrates Congressional Intent 20

D. The Proper Rule For Determining Unavoidable Delay Under Section 41(c) Is The "Party In Interest" Rule..... 22

E. Under The "Party In Interest" Rule, The Patent Office Must Consider Burandt's Actions In Evaluating Unavoidable Delay 24

II. THE FEDERAL CIRCUIT ERRED BY IGNORING SUPREME COURT PRECEDENT 27

A. The Supreme Court Has Held That Extreme Poverty And Protracted Sickness May Excuse Delay As Unavoidable..... 28

B. Burandt's "Extreme Poverty" And "Ill-Health" Rendered His Delay In Paying The Maintenance Fees Unavoidable 30

C. The Federal Circuit's Dismissal Of Burandt's Ill-Health And Destitution As "Irrelevant" Conflicts With Supreme Court Precedent 33

Conclusion..... 35

TABLE OF CONTENTS – Continued

Page

TABLE OF APPENDICES

Decision of the United States Court of Appeals for the Federal Circuit Decided June 10, 2008 ..... App. 1

Opinion and Order of the United States District Court for the Eastern District of Virginia Filed July 12, 2007 ..... App. 16

Order of the United States Court of Appeals for the Federal Circuit Denying Petition for Rehearing Filed Sep. 8, 2008 ..... App. 40

Petition Under 37 C.F.R. § 1.378(b) for Acceptance of Unavoidably Delayed Maintenance Fee Payment ..... App. 42

Declaration of Dr. Paul Warner ..... App. 68

Declaration of Mr. Corliss O. Burandt ..... App. 71

Agreement Between IRI and Burandt ..... App. 81

Burandt's Letter to IRI to Exercise Repurchase Rights ..... App. 89

Decision of the United States Patent and Trademark Office on Petition Under 37 C.F.R. § 1.378(b) ..... App. 90

Decision of the United States Patent and Trademark Office on Petition Requesting Reconsideration ..... App. 106

Declaration of Jeffrey A. Carson ..... App. 127

TABLE OF AUTHORITIES

Page

FEDERAL CASES

Arachnid, Inc. v. Merit Industries, Inc., 939 F.2d 1574 (Fed. Cir. 1991) 21

Brown v. Gardner, 513 U.S. 115 (1994) 12

California Medical Products v. Tecnol Medical Products, 921 F. Supp. 1219 (D. Del. 1995) 19

Cardiac Pacemakers, Inc. v. St. Jude Medical, Inc., 381 F.3d 1371 (Fed. Cir. 2004) 12

Commissariat A L'Energie Atomique v. Watson, 274 F.2d 594 (D.C. Cir. 1960) 15

Dole Food Co. v. Patrickson, 538 U.S. 468 (2003) 20

FilmTec Corp. v. Allied-Signal, Inc., 939 F.2d 1568 (Fed. Cir. 1991) 21

Futures Technology Ltd. v. Quigg, 684 F. Supp. 430 (E.D. Va. 1988) 22

Harrison v. Morton, 171 U.S. 38 (1898) 21

Kim v. Quigg., 718 F. Supp. 1280 (E.D. Va. 1989) 16, 17, 18, 22

Laerdal Medical Corp. v. Ambu, Inc., 877 F. Supp. 255 (D. Md. 1995) 19

Littlefield v. Perry, 88 U.S. 205 (1875) 21

Planing-Machine Co. v. Keith, 101 U.S. 479 (1880) ..... *passim*

Ray v. Lehman, 55 F.3d 606 (Fed. Cir. 1995) 10, 16, 17, 18, 19

TABLE OF AUTHORITIES – Continued

Page

Rydeen v. Quigg, 748 F. Supp. 900 (D.D.C. 1990), *aff'd*, 937 F.2d 623 (Fed. Cir. 991) (table), *cert. denied*, 502 U.S. 1075 (1992) 15

Smith v. Goodyear Dental Vulcanite Co. et al., 93 U.S. 486 (1877).....*passim*

Smith v. Mossinghoff, 671 F.2d 533 (D.C. Cir. 1982).....27

Standard Parts Co. v. Peck, 264 U.S. 52 (1924).....21

Waterman v. McKenzie, 138 U.S. 252 (1891).....21

Wright v. Wright, 311 N.W.2d 484 (Minn. 1981).....7

DOCKETED CASES

In re Patent No. 4,793,265, Decision on Petition, Paper No. 12 (U.S.P.T.O. 1999) 17, 18, 21, 22, 23

In re Patent No. 4,940,444, Decision on Petition, Paper No. 18 (U.S.P.T.O. 1999) 18, 21, 22, 23

In re Patent No. 5,225,203 (Dep. Ass't Comm'r Pat., slip opinion, September 30, 2005) 19

In re Patent No. 5,232,205, (Dep. Ass't Comm'r Pat., slip opinion, January 12, 2006) 19

STATUTES & FEDERAL REGULATIONS

28 U.S.C. § 1254(1).....1

35 U.S.C. § 41 .....*passim*

35 U.S.C. § 41(b).....14

TABLE OF AUTHORITIES – Continued

Page

35 U.S.C. § 41(c) ..... *passim*

35 U.S.C. § 41(c)(1) ..... *passim*

35 U.S.C. § 133 16

35 U.S.C. § 141 12

35 U.S.C. § 146 12

35 U.S.C. § 154 14

35 U.S.C. § 183 12

35 U.S.C. § 253 12

35 U.S.C. § 261 12

35 U.S.C. § 262 12

35 U.S.C. § 271 12

35 U.S.C. § 281 12

35 U.S.C. § 315 12

Patent Act of 1861, § 16, 12 Stat. 246, 249 (1861) 27

37 C.F.R. § 1.47(b) 25, 26

OTHER AUTHORITIES

Hon. Timothy B. Dyk, *Foreword: Does the Supreme Court still matter?*, 57 AM. U. L. REV. 763 (2008) 27

TABLE OF AUTHORITIES – Continued

Page

H.R. Rep. No. 97-542 at 8 (1982), *as reprinted in* 1982 U.S.C.C.A.N. 765, 772 ..... 13, 20

Manual of Patent Examining Procedure (MPEP) § 409.03(f) 25, 26

PETITION FOR A WRIT OF CERTIORARI

Petitioner, Corliss O. Burandt, ("Petitioner" or "Burandt") respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit entered in this action on June 10, 2008.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Federal Circuit (App. 1-15) affirming the district court's order and opinion is reported at 528 F.3d 1329 (Fed. Cir. 2008) (hereafter "*Burandt*"). The order denying the Petition for Panel Rehearing and Rehearing En Banc (App. 40-41) was entered on September 8, 2008 and is unreported.

The order and opinion of the United States District Court for the Eastern District of Virginia (App. 16-39) was entered on July 12, 2007 and is reported at 496 F. Supp 2d (E.D. Va. 2007).

JURISDICTION

The Federal Circuit entered its judgment in this case on June 10, 2008 and denied the Petition for Panel Rehearing and Rehearing En Banc on September 8, 2008. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

STATUTORY PROVISION INVOLVED

35 U.S.C. § 41(c)(1) provides in pertinent part:

> The Director may accept the payment of any maintenance fee required by subsection (b) of this section which is made within twenty-four months after the six-month grace period if the delay is shown to the satisfaction of the Director to have been unintentional, or at any time after the six-month grace period if the delay is shown to the satisfaction of the Director to have been unavoidable. The Director may require the payment of a surcharge as a condition of accepting payment of any maintenance fee after the six-month grace period. If the Director accepts payment of a maintenance fee after the six-month grace period, the patent shall be considered as not having expired at the end of the grace period.

STATEMENT OF THE CASE

This cases raises important questions of federal law that should be decided by this Court: (1) Whether an entire class of patent owners may be denied the protections of 35 U.S.C. § 41(c)(1); and (2) Whether ill-health and destitution of an equitable owner of a patent constitute unavoidable delay under 35 U.S.C. § 41(c)(1) in accordance with long-standing Supreme Court precedent.

In the late 1980s, Burandt invented a system of variable valve timing in automobile engines. In 1988, he assigned the rights to his invention to a company in exchange for promises of funding and marketing, and he filed an application in the United States Patent and Trademark Office ("PTO" or "the Patent Office") for a patent on the invention. When the company failed to fulfill its promises, Burandt exercised his contractual right of reversion. However, the company would not reassign the patent application at issue to Burandt. Thus, Burandt acquired equitable title, again becoming the true owner of his invention, while the company merely retained legal title as a formality. Shortly after exercising his right of reversion, Burandt suffered a mental breakdown and became completely disabled. In 1990, Burandt was issued a patent on the invention, U.S. Patent No. 4,961,406 ("the '406 patent" or "the patent"). During the period following the issuance of his patent, Burandt suffered with his mental illness and was reduced to living in poverty. During that period, the '406 patent expired when the required maintenance fees went unpaid. In 2005, a patent attorney sympathetic to Burandt's dilemma paid the overdue maintenance fees and petitioned the Patent Office to reinstate the '406 patent.

A statutory provision, 35 U.S.C. § 41(c), permits the Director of the Patent Office to accept late payment of maintenance fees in cases where the delay has been "unavoidable." Congress expressly intended "to avoid the inequitable loss of patent rights" when

enacting section 41(c). In *Smith v. Goodyear Dental Vulcanite Co. et al.*, 93 U.S. 486 (1877) and *Planing-Machine Co. v. Keith*, 101 U.S. 479 (1880), this Court held that "extreme poverty" and "protracted sickness" are ordinary and accepted reasons to excuse delay as unavoidable before the Patent Office.

The Patent Office, contrary to Supreme Court precedent, denied Burandt's petition to reinstate the '406 patent, and both the district court and the Federal Circuit affirmed. The Federal Circuit noted that the company was the "legal title owner" of the patent, and thus, the only party that mattered for purposes of evaluating unavoidable delay under the statute. Substituting bureaucratic convenience for the will of Congress and this Court's long-standing precedent, the Federal Circuit ignored Burandt's equitable ownership and personal circumstances as immaterial under Section 41(c)(1). Burandt's mental incapacity and extreme poverty were held "irrelevant" for purposes of determining unavoidable delay under Section 41(c)(1). Thus, the Federal Circuit acted contrary to long-standing Supreme Court precedent, which holds that extreme poverty and protracted illness are sufficient to excuse as "unavoidable" the failure to take timely action before the Patent Office. The Federal Circuit's holding abolishes statutory protection for an entire class of patent owners and frustrates the expressly stated Congressional intent of Section 41(c)(1): "to avoid the *inequitable loss* of patent rights." As the equitable owner of the patent, Burandt was the party with rights to the

patent when it expired, and thus, the party who *lost* such rights. The Federal Circuit's new bright-line test impermissibly takes equitable owners such as Burandt outside the scope of 35 U.S.C. § 41(c)(1) and conflicts with this Court's more than century-old precedent. As the present case underscores, the Federal Circuit's new precedent denies the protection of a statute to those who it was intended to protect and who may be most in need of its protection. The proper interpretation of Section 41(c)(1) is of exceptional importance to the patent system as this new precedent will discourage assignment of patent rights, thus chilling innovation.

FACTUAL BACKGROUND

Corliss O. Burandt is a former car mechanic turned visionary inventor who, in the late 1980s, invented and patented a system for optimizing fuel burn rates in automobile engines. Burandt's patented method provides increased fuel economy. Today, optimized VVT engines are found in many automobiles, including gas/electric hybrid cars, sold in the United States. Burandt was a man ahead of his time.

Although the technology developed by Burandt is widely used today to the benefit of many, Burandt has not been recognized for his invention. Instead, he has lived in poverty as he suffers with his mental illness,

ironically forced for a time to reside in a 1965 Corvair that housed a prototype VVT engine.

Burandt was compelled to watch as the technology he toiled to develop sat in the controlling hands of others who would not allow his invention to flourish. But just when he thought his invention would remain forever obscure and unnoticed, he discovered that several automobile companies were using, or planning to use, his patented VVT apparatus in their new lines of hybrid cars. Much to Burandt's dismay, he subsequently learned that his patent had expired due to unpaid maintenance fees.

How his patent expired, and why Burandt is entitled to reinstate the patent, is the basis of the present petition. It begins in 1988 when, as with many independent inventors, Burandt assigned the legal rights to his invention to a company who promised to fund his research and commercialize his invention. In 1989, when that company, Investment Rarities Incorporated (IRI), ceased funding his research, Burandt used what little money he had to hire a lawyer. He exercised his right under a development contract to repurchase his patent rights. IRI refused to re-assign the invention, despite their contractual obligation to transfer title, and thus, under Minnesota state law, Burandt acquired equitable title to his invention. App. 127-133. According to Carson, Burandt's one-time attorney, Burandt:

> " . . . held Equitable Title . . . as of approximately March 30, 1989 or 15 days after [he] tendered the required written notice and lien. As soon as Mr. Burandt exercised his rights under Paragraph 13 [of the 1981 Agreement] by providing the lien, he was entitled to legal and therefore held Equitable Title. . . ." [1]

App. 133.

However, since IRI refused to re-assign patent rights to Burandt, IRI at least on paper retained legal title to the invention. Sensing that an enormous interest for fuel efficient engines existed in the marketplace, and having no money of his own, Burandt pleaded with IRI to market his invention or else terminate the assignment contract altogether and transfer legal title back to him. IRI refused. Burandt exhausted his limited funds and could not pay his lawyer to sue for legal title.

As a result of IRI's continued failure to commercialize and market his invention, Burandt became increasingly frustrated and despondent. He then suffered a mental breakdown. According to the psychiatrist who has treated him with medication since January 1992, Burandt suffers from Generalized

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[1] Carson also opined that " . . . under Minnesota law, Mr. Burandt was alternatively entitled to be the beneficiary of an equitable trust imposed against IRI to hold the above referenced patent." App. 133 (*Wright v. Wright*, 311 N.W.2d 484, 485 (Minn. 1981)).

Anxiety Disorder and "is completely disabled and due to his condition has not been in a condition to hold a job since before I began treating him." App. 68.

Shortly after his mental illness progressed in 1990, Burandt applied for government assistance. He began receiving Minnesota General Assistance and Food Stamps in 1991, and has received U.S. Social Security SSI disability benefits since 1995.

While battling both extreme poverty and mental disability, he continued to seek funding for his research as well as free legal assistance. He was understandably unsuccessful. The '406 patent expired on October 9, 1994 after IRI failed to pay the first maintenance fee. Burandt had no reason to believe that IRI would both refuse to tender title to him and allow the patent to expire. As the maintenance fee notices were mailed to IRI, Burandt had no knowledge that the patent had expired. Burandt first learned of the expiration of the patent in 2001, after he read about increased use of optimized VVT engines and sought to use that new information to again seek funding for the development of his technology.

Unable to afford the fees to reinstate the patent, and emotionally unfit to navigate the tangle of rules and regulations required to do so, Burandt did all he could to salvage what was rightfully his. From late 2001 to 2005, he sought free legal aid, but no one was willing or able to represent him. One firm advised him that before he could bring an action to reinstate his expired patent, he would need to obtain legal title

to the patent from IRI. Following the firm's advice, in May 2002, Burandt eventually obtained legal title to his patent.

In the Spring of 2005, a patent attorney who read about Burandt's plight in *IEEE Spectrum* Magazine, contacted Burandt and agreed to take up his fight to reinstate his patent. That attorney, George Macdonald, petitioned the Patent Office in October 2005 to reinstate Burandt's patent on grounds that late payment of the maintenance fees had been "unavoidable" under 35 U.S.C. § 41(c). As Burandt was penniless, Macdonald paid the overdue maintenance fees.

The Patent Office denied the petition (and three subsequent petitions). It found that Burandt was not the "legal title owner" and reasoned that since IRI was the legal title owner of the patent at the time it expired, IRI was the relevant party for purposes of determining "unavoidable delay" under the statute. Burandt could not show that IRI's failure to pay the maintenance fees was "unavoidable," so the Patent Office refused to reinstate the patent. Burandt argued that, as equitable title owner of the patent during the relevant time period, it was his actions and circumstances – and not IRI's – that mattered for purposes of evaluating "unavoidable delay" under Section 41(c). The Patent Office rejected this, explaining that even if Burandt was equitable owner of the patent, it was incumbent upon him "to show that he acted as a reasonable and prudent person in pursuit of [his] most important business." App. 114. The

Patent Office implied that a person receiving SSI disability payments should be able to afford maintenance fees and that, despite his diagnosis, Burandt was insufficiently incapacitated and somehow capable of taking action to mitigate the delay in paying maintenance fees.

Burandt appealed the Patent Office's decision to the United States District Court for the Eastern District of Virginia. On July 12, 2007, the district court dismissed his appeal. It agreed with the Patent Office that IRI, as the legal title owner, was the "party responsible" for paying the maintenance fees, and that IRI's failure to pay had not been "unavoidable." The court held that, even if Burandt's actions were relevant, he still was not entitled to relief since he had failed to act reasonably and prudently.

The Federal Circuit agreed with the district court. It construed its earlier decision in *Ray v. Lehman*, 55 F.3d 606 (Fed. Cir. 1995), and held that, as "legal title owner," IRI was responsible for paying the maintenance fees. App. 9. Burandt's mental disability and destitution were deemed "irrelevant given IRI's status as the legal owner of the patent." App. 14. Moreover, even if Burandt's situation was relevant, the court "found no evidence in the record to show that, despite his condition, he could not have inquired into the status of his patent during the eleven years between the patent's issuance and his discovery of its expiration in 2001." App. 14. The court thus affirmed the Patent Office and district court decisions.

Burandt's journey to reinstate his patent has now reached this Court. But this case has implications that extend far beyond the rights of one unfortunate inventor. The case raises important questions of federal law that this Court should resolve because they affect the property rights of an entire class of patent owners, including each inventor who assigns "legal title" of an invention to a third party but retains (or subsequently regains) equitable ownership. If the Federal Circuit's decision stands, any party deemed the "legal title owner" of a patent at issue will be able to unilaterally abandon that patent, and neither the interests nor circumstances of the equitable title owner will be considered to determine the merits of reinstatement. Burandt's fate at the hands of the patent system will impact the conduct of the many small innovators that drive the American economy.

ARGUMENT

I. THE UNPRECEDENTED BRIGHT-LINE RULE IMPROPERLY ABOLISHES THE EQUITABLE PROTECTION OF 35 U.S.C. § 41(c)(1) FOR AN ENTIRE CLASS OF PATENT OWNERS.

Section 41(c)(1) of Title 35 of the United States Code provides that the Director of the Patent Office may accept late payment of a maintenance fee "if the delay is shown to the satisfaction of the Director to have been unavoidable." The statute does not specify *whose*

actions the Director must evaluate in determining whether the delay was unavoidable.[2] The Federal Circuit purports to settle this matter by reading into the statute the requirement that the Director shall in all cases look solely to the patent's "legal title owner," thereby disregarding the rights of an equitable owner.[3]

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[2] The Supreme Court has "cautioned that 'where Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.'" *Cardiac Pacemakers, Inc. v. St. Jude Med., Inc.*, 381 F.3d 1371, 1385 (Fed. Cir. 2004) (quoting *Brown v. Gardner*, 513 U.S. 115, 120 (1994).

[3] The Federal Circuit's decision reads "legal owner of record" into section 41(c) without addressing whether this particular terminology is used in other sections of the Act. The term "owner" is expressly used in other sections of the Patent Act to limit the applicability of a particular provision to only the patent owner. *See, e.g.*, 35 U.S.C. §§ 262, 271, 315. In fact, the Patent Act is replete with instances where Congress expressly limited the applicability of a provision to a particular group or class. Illustrative provisions include: "an applicant"; "any party to an interference"; "an applicant, his successors, assigns, or legal representatives"; "a patentee"; and "patent owner." *See*, 35 U.S.C. §§ 141, 146, 183, 253, 271, 281, 315. In fact, patent owners are not even required to record assignments. 35 U.S.C. § 261.

By including the term "owner" in certain provisions and by excluding it in others, Congress intended to limit the application of those provisions to patent "owners." An omission of the term "owner" from section 41(c) is a clear indication that Congress did not intend to limit the application of the statute to only the "legal owner of record."

The Federal Circuit's decision abolishes the protection of a statutory provision for an entire class of patent owners, denying them due process of law, and contravenes Congressional intent "to avoid the inequitable loss of patent rights." H.R. Rep. No. 97-542 at 8 (1982), *as reprinted in* 1982 U.S.C.C.A.N. 765, 772. IRI, though "legal title owner" of the '406 patent at the time it expired in 1994, lost all rights it had to the patent in 1989 when Burandt exercised his right of reversion under his contract with IRI. At that time, Burandt became the true and equitable owner of the "patent rights," and IRI simply held legal title of the patent in trust for Burandt. App. 132-133.

As equitable owner of the rights to the '406 patent, it is *Burandt's* actions and circumstances – and not those of IRI – that the Director should have evaluated under Section 41(c)(1). This comports with the statutory mandate to avoid the *inequitable loss* of patent rights. Burandt is the only party that had any legitimate patent rights and as such he was the only party that had any rights to lose. IRI intentionally forfeited its rights when it breached its contract with Burandt. However, IRI was contractually prevented from unilaterally forfeiting Burandt's rights. Accordingly, only Burandt's actions are relevant in a Section 41(c)(1) analysis. Yet the Federal Circuit's decision creates a rigid test that looks only to the conduct of a legal title owner. The impropriety of such a test is illustrated by the present case. The Federal Circuit looked only at the conduct of IRI, a party that had forfeited all rights and was owner only in name as a

matter of formality, while ignoring the circumstances of the true owner, Burandt. The decision deprived the only party with any rights in the patent based on an artificial construct. By creating a rigid test that restricts the determination of unavoidable delay to a legal title owner, the Federal Circuit has vitiated a statutory provision of the Patent Act.

A. The Improper Interpretation Of Section 41(c)(1) Allows The Director To Circumvent The Statute.

A United States Patent enjoys a term of twenty years from the date upon which the application for patent was filed. 35 U.S.C. § 154.[4] Maintenance fees must be paid at regular intervals after the patent is issued. 35 U.S.C. § 41(b). If any of the required maintenance fees are not paid, the patent will lapse, *i.e.*, expire prematurely. *Id.*

To mitigate the stringency of this provision, the Patent Act provides that lapsed patents may be reinstated if the delay in paying the maintenance fee is shown to have been "unavoidable":

> The Director may accept the payment of any maintenance fee required by subsection (b) of this section which is made . . . at any time after the six-month grace period if the delay is

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[4] The application which issued as the '406 patent was filed pre-GATT; therefore, its term is the longer of twenty years from filing date or seventeen years from date of issue.

> shown to the satisfaction of the Director to have been unavoidable.

35 U.S.C. § 41(c).

There is no temporal restriction on petitioning for reinstatement based on unavoidable delay.

Although cast in discretionary terms, the Director may not exercise his discretion in determining what qualifies as unavoidable delay in a way that "contradicts the purposes of the statute or is completely contrary to reason." *Rydeen v. Quigg*, 748 F. Supp. 900, 904 (D.D.C. 1990), *aff'd*, 937 F.2d 623 (Fed. Cir. 1991) (table), *cert. denied*, 502 U.S. 1075 (1992) (citing *Commissariat A L'Energie Atomique v. Watson*, 274 F.2d 594, 596-97 (D.C. Cir. 1960)) ("[W]here valuable rights are at stake, the Commissioner's discretion cannot remain wholly uncontrolled, if the facts demonstrate that the applicant's delay in prosecuting the application was unavoidable, and that the Commissioner's adverse determination lacked any basis in reason or common sense.").

By sanctioning the Director's refusal to reinstate Burandt's patent on the basis that he was not the owner of record despite his equitable ownership, the Federal Circuit creates precedent for the Director to act in a manner that contradicts the purpose of the statute and is completely contrary to reason.

B. Restricting Consideration To Only The Owner Of Record In Evaluating Unavoidable Delay Is Improper.

Section 41(c)(1) does not specify *whom* the Director of the Patent Office should look to in evaluating an unavoidable delay. In this case, the Patent Office erroneously chose to evaluate only IRI's actions, and not those of Burandt, the equitable title owner. This conflicted with both Federal Circuit precedent and the Patent Office's own long-standing practice.

The accepted practice at the Patent Office for determining unavoidable delay under Section 41(c)(1) was to examine the actions of the party or parties responsible for paying the maintenance fees, including any equitable owners. In *Kim v. Quigg*, 718 F. Supp. 1280 (E.D. Va. 1989), the district court explained that "for purposes of reviving an application due to unavoidable delay, the focus must be on the rights of the parties as of the time of abandonment." *Id.* at 1284. Petitioners had sought to revive a patent application abandoned for failure to timely respond to an office action.[5] The court affirmed the

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[5] Although the petition in *Kim* was brought under 35 U.S.C. § 133, which permits revival of an application for unavoidable delay, the standard for determining unavoidable delay is the same as that under 35 U.S.C. § 41 for delayed patent maintenance fees. *See Ray v. Lehman*, 55 F.3d 606, 609 (Fed. Cir. 1995) (stating "[a] late maintenance fee is considered under the same standard as that for reviving an abandoned application under 35 U.S.C. § 133 because 35 U.S.C. § 41(c)(1) uses the identical language, i.e.[,] unavoidable delay.").

Patent Office's denial of the petition, explaining that "[s]ince [petitioners] have failed to demonstrate that they are equitable owners of [the] patent application[ ], whether they acted as reasonably prudent persons is irrelevant." *Id.*

In *Ray v. Lehman*, the Federal Circuit explained that:

> [I]n determining whether a delay in paying a maintenance fee was unavoidable, one looks to whether *the party responsible for payment of the maintenance fee* exercised the due care of a reasonably prudent person."

55 F.3d 606, 609 (Fed. Cir. 1995) (emphasis added). The court did not amplify who exactly the "party responsible" is in all cases, but it did not overrule cases like *Kim* holding that equitable owners were parties of interest for purposes of determining unavoidable delay.

In the years following *Ray*, the Patent Office routinely applied the rule of *Kim* and *Ray* to establish that the "party responsible for payment of maintenance fees" was simply the "party in interest" at the time the patent expired, which included any equitable title owner. In *In re Patent No. 4,793,265*, Decision on Petition, Paper No. 12 (U.S.P.T.O. 1999), a buyer purchased a patent, but the seller failed to formally assign the patent to the buyer. *See In re Patent No. 4,793,265* at 3-5. After the patent expired for failure to pay the maintenance fee, the buyer attempted to petition to have the patent reinstated for unavoidable

delay. *Id.* The Patent Office observed that the determination of unavoidable delay was governed by *Ray*, which required that it first determine if the "party responsible for payment of the maintenance fee exercised the due care of a reasonably prudent person." *Id.* at 5. The Patent Office explained that "the party responsible" for payment was "the party in interest at the time action is needed to be taken." *Id.* (citing *Kim v. Quigg*, 718 F. Supp. 1280, 1284 (E.D. Va. 1989)). It reasoned that the buyer "had at least equitable, if not also legal, title to the patent" at the time the maintenance fee was due, and thus, was the party in interest whose actions must be considered when determining unavoidable delay. *Id.* at 5.

The Patent Office employed a similar analysis in *In re Patent No. 4,940,444*, Decision on Petition, Paper No. 18 (U.S.P.T.O. 1999), in concluding that the equitable owner of the '444 patent was the party whose actions were relevant in assessing unavoidable delay. It reasoned that "the bill of sale places equitable title to the patent in the hands of [the buyer] at the time [the] maintenance fee was due and payable." The Patent Office concluded that the buyer, and not the seller – *i.e.*, the equitable owner, not the legal title owner – was "the party in interest" with the "duty to track and monitor (on its own or through a third party) the payment of the . . . maintenance fee." *Id.* at 7.

Here the Federal Circuit ignores long-standing Patent Office practice and misapprehends its own precedent by claiming that *Ray* "***expressly held*** that

it is the actions of the party responsible for making payments of the maintenance fees, *the legal title owner*, that must be considered when evaluating unavoidable delay under 35 U.S.C. § 41(c)." App. 10 (emphasis added). But that is *not* what *Ray* held. Indeed, nowhere in *Ray* does the court identify the party responsible for making payments of the maintenance fees as the "legal title owner." In fact, the *Ray* case did not consider equitable title at all, but rather discussed a non-diligent legal owner and his agent. *See, e.g., Cal. Med. Prods. v. Tecnol Med. Prods.*, 921 F. Supp 1219, 1259-60 (D. Del. 1995) (holding that a non-diligent patentee may benefit from any diligence on behalf of his agent). At the very least, Congress intended to provide relief in cases of "literal" unavoidable delay, where a patent owner was simply unable to pay the maintenance fees. Burandt was the true owner of the patent rights in question. Due to his disability and resulting destitution, Burandt was literally unable to pay the fee earlier.[6]

The Federal Circuit's erroneous citation of its own precedent, coupled with the lack of explanation

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[6] Mr. Burandt's delay was literally unavoidable. Yet there are cases where a third party was responsible for payment of maintenance fees, and the Patent Office has deemed delay as "unavoidable" due to mere docketing errors by the third party. *See, e.g., Laerdal Medical Corp. v. Ambu, Inc.*, 877 F. Supp. 255 (D. Md. 1995); *In re Patent No. 5,225,203* (Dep. Ass't Comm'r Pat., slip opinion, September 30, 2005); *In re Patent No. 5,232,205*, (Dep. Ass't Comm'r Pat., slip opinion, January 12, 2006).

for this new rule of law, supports the proposition that the Federal Circuit erred in its interpretation of the unavoidable delay standard of 35 U.S.C. § 41(c)(1).

C. A "Legal Title Owner" Rule For Determining Unavoidable Delay Frustrates Congressional Intent.

In determining the correct interpretation of Section 41(c)(1), it is important to bear in mind Congressional intent in enacting the statute. *See, e.g., Dole Food Co. v. Patrickson*, 538 U.S. 468, 484 (2003) (stating "[j]udges are free to consider statutory language in light of a statute's basic purposes."). When Congress enacted Section 41(c), it expressed its intent in authorizing the Commissioner (now the Director) of the Patent Office to accept unavoidably delayed maintenance fee payments under 35 U.S.C. § 41(c):

> ***In order to avoid an inequitable loss of patent rights***, the Commissioner is given the authority to accept payment of any maintenance fee after the six-month grace period if it is established that the delay in payment was unavoidable.

H.R. Rep. No. 97-542 at 8 (1982), *as reprinted in* 1982 U.S.C.C.A.N. 765, 772 (emphasis added).

The new Federal Circuit "legal title owner" rule, will frustrate Congressional intent to prevent the inequitable loss of patent rights. An equitable owner is barred from showing that his delay in payment was unavoidable. For example, in situations such as in

In re Patent No. 4,793,265 and *In re Patent No. 4,940,444*, where legal and equitable title are vested in separate entities, as a result of a sale followed by failure of the seller to formally assign the patent to the buyer, the new "legal title owner" rule eliminates any consideration by the Patent Office of the equitable owner's showing of unavoidable delay. Thus, the actions of a legal title owner who has, either through negligence or malicious intent, failed to honor its duty to transfer title[7] to the equitable owner will completely outweigh any good-faith efforts of the equitable owner to pay the delayed maintenance fees.

In the present situation, Burandt has been denied the opportunity to have the '406 patent reinstated based solely on the actions (or lack thereof) of IRI, a party that failed to honor its contractual obligation to transfer legal title to Burandt upon Burandt's exercising his right of reversion. Yet, if the

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[7] This new "legal title owner" rule may have potentially far-reaching consequences in other situations where legal and equitable ownership of a patent have become divided, such as where a patentee agrees to assign future inventions to an assignee. *See, e.g., Arachnid, Inc. v. Merit Industries, Inc.*, 939 F.2d 1574 (Fed. Cir. 1991) (an agreement to assign future inventions conveys equitable title in the invention to the promisee). *See also, Waterman v. McKenzie*, 138 U.S. 252 (1891) (transfer of title when patent mortgaged); *Standard Parts Co. v. Peck*, 264 U.S. 52 (1924); *Harrison v. Morton*, 171 U.S. 38 (1898), *Littlefield v. Perry*, 88 U.S. 205 (1875) (equitable title in patents); *FilmTec Corp. v. Allied-Signal, Inc.*, 939 F.2d 1568 (Fed. Cir. 1991) (patents as personal property including equitable title).

Burandt decision stands, it will be IRI's actions – and not those of Burandt – that matter for purposes of assessing unavoidable delay. If so, Burandt will have lost his patent rights due to no fault of his own.

The loss of patent rights under such circumstances constitutes the "inequitable loss" that Congress sought to prevent when it enacted 35 U.S.C. § 41(c)(1).

D. The Proper Rule For Determining Unavoidable Delay Under Section 41(c) Is The "Party In Interest" Rule.

In both *In re Patent No. 4,793,265* and *In re Patent No. 4,940,444*, the Patent Office cited *Kim v. Quigg* and held that "[t]he party whose delay is relevant is the party in interest at the time action is needed to be taken."[5]

Equity – and the Congressional intent underlying 35 U.S.C. § 41(c)(1) – will best be served by overruling the Federal Circuit "legal title owner" rule in favor of the "party in interest" rule. Under this rule, the Patent Office considers whether the delay in

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[5] *Kim* followed *Futures Technology Ltd. v. Quigg*, 684 F. Supp. 430 (E.D. Va. 1988), an earlier decision by the same district court, emphasizing that *Futures Technology* "extended the inquiry into unavoidable delay *beyond the conduct of the legal owners* . . . to that of the equitable owner . . ." *Kim*, 718 F. Supp. 1280, 1283 (citing *Futures*, 684 F. Supp. 430) (emphasis added).

payment of the maintenance fee was unavoidable for the "party in interest," or the party who has actual and legitimate rights to the patent.

The "party in interest" rule achieves the Congressional intent of preventing the inequitable loss of patent rights under 35 U.S.C. § 41(c) without unduly burdening the Patent Office. In most petitions submitted under Section 41(c), the petitioner will be both legal and equitable title owner of the patent, and thus, the determination of who is responsible for payment of maintenance fees will be straightforward. But in those cases where the petition is brought by an equitable owner who lacks legal title, the Patent Office will have two options.

First, the Director may engage in a factual inquiry to determine if the petitioner actually is the equitable owner of the patent, and thus, the "party in interest" responsible for payment of maintenance fees. This option is clearly practicable, as this was the method used in *In re Patent No. 4,793,265* and *In re Patent No. 4,940,444*. This option may also consider declarations including legal opinions proffered by petitioner, as in this case.

Second, the Director may take the petitioner at his word that he is the equitable owner. App. 11. ("The Director is entitled to rely on the representations of ownership by the parties and need not engage in a separate analysis to determine title ownership."). This second option is even less burdensome on the Director, as it allows the Director to proceed directly

to the factual determination of whether or not the petitioner's delay was unavoidable.

Under either scenario, the risk of error in identifying the petitioner as the party in interest is mitigated by the fact that even if the Patent Office is incorrect, the petitioner will still be forced to perfect title to the patent (*i.e.*, gain legal title) before enforcing its rights to the patent.

Accordingly, Petitioner asserts that the "legal title owner" rule should be overruled in favor of the "party in interest" rule. The "party in interest" rule ensures that a party who holds valid rights to a patent will not lose those rights for inequitable reasons such as by the inaction of a third party.

E. Under The "Party In Interest" Rule, The Patent Office Must Consider Burandt's Actions In Evaluating Unavoidable Delay.

At the time the maintenance fees for the '406 patent were due in 1994, Burandt was the only party with legitimate rights to the patent. Burandt possessed the right (albeit unperfected given IRI's refusal to transfer legal title) to choose to enforce the '406 patent, to transfer or assign the patent rights, or to license the patent. Burandt was the "party in interest." The Patent Office should have considered *Burandt's* actions, and not those of IRI, when determining whether the delayed payment of maintenance

fees for the '406 patent was "unavoidable" under Section 41(c).

Implicit in the Federal Circuit's decision is the notion that the Patent Office is incapable of assessing proprietary interests between parties. The Federal Circuit's paternalism toward the Patent Office is misplaced. Aside from the fact that such bureaucratic convenience should not be elevated over legislative authority, it is also based on an incorrect premise. The Patent Office is fully capable of such determinations. The Patent Office requires certain patent applicants to provide a showing of proprietary interest. Thus, the Patent Office routinely makes determinations regarding proprietary interests. For example, a corporation may file a patent application pursuant to 37 C.F.R. § 1.47(b) without the cooperation of an inventor, such as a former employee. The Patent Office determines whether that corporation has sufficient proprietary interest to proceed without the inventor. *See* Manual of Patent Examining Procedure (MPEP) § 409.03(f) (8th ed., 2001, rev. September 2007). The inventor in that circumstance does not provide any evidence in the proceeding and does not appear before the Patent Office, yet the Patent Office determines whether the applicant corporation has sufficient proprietary interest to proceed. The relevant portion of the Patent Office's practice manual recites:

409.03(f) Proof of Proprietary Interest

. . .

> A proprietary interest obtained other than by assignment or agreement to assign *may be demonstrated by an appropriate legal memorandum* to the effect that a court of competent jurisdiction (federal, state, or foreign) would by the weight of authority in that jurisdiction award title of the invention to the 37 C.F.R. 1.47(b) applicant. The facts in support of any conclusion that a court would award title to the 37 C.F.R. 1.47(b) applicant should be made of record by way of an affidavit or declaration of the person having firsthand knowledge of same. The legal memorandum should be prepared and signed by an attorney at law familiar with the law of the jurisdiction involved.

MPEP § 409.03(f) (emphasis added).

Accordingly, the Patent Office routinely evaluates competing proprietary interests in an *ex parte* fashion.

Here, the determination that Burandt was the true owner of the patent required no more of the Patent Office than reading the plain language of several documents, such as Burandt's agreement and correspondence with IRI, as further supported by the well-reasoned Declaration of a licensed attorney that Burandt submitted to the Patent Office. App. 127-133.

II. THE FEDERAL CIRCUIT ERRED BY IGNORING SUPREME COURT PRECEDENT.

The unavoidable delay standard for patent matters has been unchanged since it was introduced by Congress in 1861. Patent Act of 1861, § 16, 12 Stat. 246, 249 (1861), *Smith v. Mossinghoff*, 671 F.2d 533 (D.C. Cir. 1982). For nearly 150 years, the Supreme Court has held that illness and poverty excuse delay in patent matters. In *Smith v. Goodyear Dental Vulcanite Co. et al.*, 93 U.S. 486 (1877), this Court held that an eight-year delay in prosecuting a patent application was unavoidable because the patent applicant had endured both "extreme poverty" and "ill-health." *Smith*, 93 U.S. 486, 491. A few years later, in *Planing-Machine Co. v. Keith*, 101 U.S. 479 (1880), this Court reiterated that "extreme poverty of the applicant, or protracted sickness" are both "ordinary and accepted reasons" for delay. These cases remain good law.[9]

Like the inventor in *Smith*, Burandt was severely ill and impoverished, living on food stamps and disability benefits. Burandt's only asset was the car in which he had lived at one point. Nevertheless, the

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[9] *See* Hon. Timothy B. Dyk, *Foreword: Does the Supreme Court still matter?*, 57 AM. U. L. REV. 763 (2008). Answering the title question in the affirmative, Circuit Judge Dyk recommends that this Court review older patent cases and notes that of the eight recent grants of certiorari in patent cases, none were *en banc* rulings and half were unanimous panels. *Id.* at 765, n.8.

Federal Circuit held that Burandt's circumstances were "irrelevant" in determining whether the delay in paying the required maintenance fees was unavoidable. This holding contradicts the precedent of this Court that was established in *Smith* and *Planing-Machine*.

A. The Supreme Court Has Held That Extreme Poverty And Protracted Sickness May Excuse Delay As Unavoidable.

The inventor in *Smith* was unable to obtain funding for over eight years between a third patent office rejection of his patent application and his filing of a second petition for a grant of patent with a specification and drawings corresponding exactly to those he had previously made. *Smith*, 93 U.S. at 492.

This Court took note of the severe economic hardships and ill-health endured during the time in which he was unable to prosecute his application:

> From that time onward for several years, indeed, until the patent was finally granted, the evidence very satisfactorily shows that Dr. Cummings was in a condition of extreme poverty, utterly unable to bear the necessary expenses of prosecuting his case further. . . . The proof of his extreme poverty is ample. His ill-health interfered with his working successfully in the line of his profession, and his family was subjected to great privations. He seems never to have had any considerable money.

Id. at 491. After years of seeking financial assistance, the inventor secured the necessary funds to file a second petition for a patent grant, which was accepted, followed by the grant of a patent.

Subsequently, the assignees of the patent filed an infringement suit. As a defense, the defendant asserted that the inventor had abandoned his first patent application and acquiesced to the Patent Office's third rejection. This Court disagreed, holding that "[n]o act of [the inventor] amounted to a withdrawal of his first petition, or to an acquiescence in its rejection." *Id.* at 500. Indeed, the Court found that the inventor's ill-heath and destitution were acceptable excuses for his delay in filing his second petition:

> And the ***proof respecting his health and pecuniary condition***, together with his constant efforts to obtain the necessary means to prosecute his right, ***rebuts all presumption that he ever abandoned***, actually or constructively, ***either his invention or his application*** for a patent. That he never intended an abandonment of his invention is perfectly clear; and ***it was not his fault that granting the patent was so long delayed***.

Id. at 501 (emphases added).

Three years later, this Court again addressed the issue of what constitutes excusable delay before the Patent Office. In *Planing-Machine Co. v. Keith*, the Court held that a patent applicant's sixteen-year delay in filing a petition for revival after learning his

application had been abandoned was unacceptable. Distinguishing the facts before it from those of *Smith*, the Court found that the applicant did not suffer from illness or destitution:

> There may be, it is true, circumstances which will excuse delay in prosecuting an application for a patent, after it has been rejected, such as ***extreme poverty of the applicant, or protracted sickness***. Of such cases we are not now speaking. None of ***these ordinary and accepted reasons*** for [the applicant's] inaction . . . are found in this case.

Planing-Machine Co. v. Keith, 101 U.S. 479, 485-486 (emphases added).

Accordingly, this Court's precedent makes clear that circumstances of health and poverty must be considered when evaluating unavoidable delay in matters before the Patent Office.

B. Burandt's "Extreme Poverty" And "Ill-Health" Rendered His Delay In Paying The Maintenance Fees Unavoidable.

Burandt's patent issued on October 9, 1990. Around this time, Burandt suffered a complete mental breakdown. Dr. Paul Warner, a practicing psychiatrist for over 40 years, has treated Burandt since 1992. App. 68. According to Dr. Warner, Burandt suffers from at least one of the following disorders: Generalized Anxiety Disorder, Histrionic Personality

Disorder, and Attention-Deficit/Hyperactivity Disorder. App. 68-69. In Dr. Warner's opinion, Burandt "has not been in a condition to hold a job since before I began treating him." App. 69. Dr. Warner also opines that Burandt "would not be able to proceed through such process [of obtaining a patent application and the petition procedures in the Patent Office] alone due to his condition." App. 69. Among other things, "Burandt would have difficulty concentrating and could not function personally in a working relationship with the Patent Office employees due to at least pathological anxiety, uncontrollable excessive worry and the lack of excessive reassurance." App. 69. Dr. Warner concludes that Burandt is "completely disabled." App. 69.

Burandt struggled financially. Unable to hold a job, Burandt's only source of income was government assistance. Burandt has been receiving Minnesota General Assistance and Food Stamps since 1991, and U.S. Social Security SSI disability benefits since 1995 based on his mental illness and incapacitation. App. 79.

While battling both extreme poverty and mental disability, Burandt continued to seek funding for his research as well as free legal assistance. App. 71-80. He contacted several journalists "to try and attract attention to his project and hopefully additional funding." App. 75. From 1992-2001, he was unable to obtain any financial or legal assistance. App. 74-76.

Burandt's patent expired on October 9, 1994 for failure to pay the first maintenance fee. When Burandt learned of the expiration in December 2001, he sought free legal aid, but no firm was willing or able to represent him. One firm, however, did advise him that before he could revive his expired patent, he would need to obtain legal title of the patent from IRI. In May 2002, Burandt sought, and successfully obtained, legal title to his patent from IRI. From 2002-2005, Burandt continued to seek legal advice and assistance from government officials, but was not successful in obtaining any financial or legal assistance App. 76-78.

In May of 2005, a reporter for *IEEE Spectrum* Magazine ("IEEE") published Burandt's story, in which he recounted Burandt's dire circumstances. App. 78. A patent attorney who had read about Burandt's plight in *IEEE*, contacted Burandt and agreed to take up his fight to revive his patent. In October 2005, that attorney, George Macdonald, petitioned the Patent Office to revive Burandt's patent on grounds that late payment of the maintenance fees had been "unavoidable" under 35 U.S.C. § 41(c). As Burandt was penniless, Macdonald paid the overdue maintenance fees. App. 79. The record shows that Burandt's delay in payment of maintenance fees was "literally" unavoidable.

C. The Federal Circuit's Dismissal Of Burandt's Ill-Health And Destitution As "Irrelevant" Conflicts With Supreme Court Precedent.

In the instant case, Burandt's failure to pay the required maintenance fees was unavoidable because of his mental illness and extreme poverty. This Court has held that "extreme poverty" or "protracted sickness" are "ordinary and accepted reasons" for an applicant's delay before the Patent Office. *See Planing-Machine*, 101 U.S. at 485-486. Indeed, this Court held that an eight-year delay in prosecuting a patent application was unavoidable because the patent applicant had endured both "extreme poverty" and "ill-health." *See Smith*, 93 U.S. at 501.

Notwithstanding this binding precedent, the Federal Circuit panel rejected the evidence relating to Burandt's ill-health and destitution. The panel held that these facts were "irrelevant" in determining whether the delay in paying the required maintenance fees was unavoidable. In so holding, the panel failed to cite, address, or refer to *Smith* or *Planing-Machine Co.* Indeed, the panel completely disregarded the similarities between the unavoidable delay in *Smith* and in the instant case. Like the inventor in *Smith*, who was unable to pay application revival fees for eight years, Burandt was unable to pay patent maintenance (and reinstatement) fees for many years. Like that inventor, Burandt exerted "constant efforts to obtain the necessary means" to pay the maintenance fees. Ultimately, "it was not

[Burandt's] fault that [the payment of the maintenance fees] was so long delayed."

The Federal Circuit's dismissal of Burandt's evidence of ill-health and poverty as "irrelevant" conflicts with this Court's long standing precedent. The Supreme Court has never limited the protection of § 41(c)(1) to "legal title owners." Indeed, the very nature of such circumstances of ill-health and poverty highlights the impropriety of such a limitation. A party under such circumstances would be least able to pursue the procedural hurdles to obtaining legal title. Section 41(c)(1) extends equitable protection. In creating new precedent that effectively denies the equitable protection of the statute because of the very circumstances that justify its application, the Federal Circuit has raised an important question of federal law that should be resolved by this Court.

CONCLUSION

For the foregoing reasons, this Court should grant the petition for writ of certiorari.

Respectfully submitted,

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DECEMBER 8, 2008

United States Court of Appeals for the Federal Circuit

2007-1504

CORLISS O. BURANDT,

Plaintiff-Appellant,

v.

Jon W. Dudas, DIRECTOR, UNITED STATES PATENT AND TRADEMARK OFFICE,

Defendant-Appellee.

Scott F. Yarnell, Hunton & Williams LLP, of McLean, Virginia, argued for plaintiff-appellant. Of counsel on the brief were Donna M. Praiss, Elizabeth M. Wieckowski, and Eugene C. Rzucidlo, of New York, New York; and George M. Macdonald, Law Office of George M. Macdonald, of New Canaan, Connecticut.

Mary L. Kelly, Associate Solicitor, Office of the Solicitor, United States Patent and Trademark Office, of Arlington, Virginia, argued for defendant-appellee. With her on the brief were Stephen Walsh, Acting Solicitor, and Thomas L. Stoll, Associate Solicitor.

Appealed from: United States District Court for the Eastern District of Virginia

Senior Judge Claude M. Hilton

Appeal from the United States District Court for the Eastern District of Virginia in Case No. 1:06-CV-1141, Senior Judge Claude M. Hilton.

DECIDED: June 10, 2008

Before NEWMAN, LOURIE, and BRYSON, *Circuit Judges*.

LOURIE, *Circuit Judge*.

Corliss O. Burandt ("Burandt") appeals from the decision of the United States District Court for the Eastern District of Virginia granting summary judgment in favor of the Director ("Director") of the U.S. Patent and Trademark Office ("PTO") and affirming the Director's denial of Burandt's request to reinstate his patent for failure to pay the maintenance fee. Because the district court did not err in upholding the Director's denial of Burandt's request for reinstatement, we affirm.

BACKGROUND

In 1980, Burandt designed internal combustion engines for Investment Rarities, Inc. ("IRI"). The following year, Burandt entered into an assignment agreement with IRI ("the 1981 Agreement"). The agreement provided that IRI would fund Burandt's research efforts and, in return, any patent application or patent resulting from that research would become

the property of IRI. As compensation, Burandt was entitled to receive a percentage of the profits derived from the patents. Burandt was also entitled to repurchase the patents from IRI in the event IRI ceased funding Burandt's research. To exercise that option, Burandt was required to provide written notice and payment, or alternatively, a lien against future revenues to IRI.

On April 7, 1988, Burandt filed a patent application that issued as U.S. Patent 4,961,406 ("the '406 patent") on October 9, 1990. Burandt is the named inventor on the '406 patent and IRI is the assignee. The '406 patent is directed to "methods and devices for affecting the size and timing of valve events as related to air-fuel mixture burn rates for the optimizing of engine performance at various engine speeds." '406 patent col.1 ll.10-15. Pursuant to the agreement, IRI was the legal title holder of the '406 patent at the time of issuance. However, Burandt tried to exercise his repurchase rights even before the patent issued on March 30, 1989, and Burandt claims that he thus gained equitable title to the patent.

IRI, as the legal title holder, was required to pay maintenance fees at three points during the life of the patent, *viz.*, three and a half, seven and a half, and eleven and a half years from the date of issuance. 35 U.S.C. § 41(b). The first maintenance fee was due on April 9, 1994, but under the statutory provision governing maintenance fees, the fee could be paid up to six months from that date without a surcharge. *Id.* IRI failed to pay the first maintenance fee by the end

of the six-month grace period, and the patent accordingly expired on October 9, 1994.

According to Burandt, he became mentally disabled at some point before 1992. Burandt submitted a declaration from his psychiatrist, Dr. Warner, who has continuously treated Burandt since 1992. Dr. Warner opined that Burandt had been suffering from an anxiety disorder that precluded him from holding a job since before Dr. Warner started treating him. Because Burandt was without a job, he began relying on government assistance in 1991.

Burandt learned of the expiration of the '406 patent in December 2001, seven years after the patent had expired, when he contacted the PTO about his patent after reading an article about Honda's introduction of a variable valve engine. Burandt admits that he did not inquire about the '406 patent at any point before then. After learning of the expiration, Burandt sought financial and legal assistance in an effort to reinstate his patent by reaching out to attorneys, the press, congressional leaders, and automobile manufacturers. He sought and actually regained legal title from IRI on May 21, 2002, long after the patent had lapsed.

On October 13, 2005, Burandt, through his attorney George Macdonald, filed a petition in the PTO under 37 C.F.R. § 1.378(b) for acceptance of a delayed maintenance fee payment, asserting that the failure to pay the maintenance fee was unavoidable. Burandt argued that he should not be bound by IRI's

actions, *viz.*, its failure to pay the maintenance fee, because he held equitable title in the patent and he was excusably unable to pay the fee. Burandt urged the PTO to consider the reasons for his inaction in deciding whether the delay in the payment of the maintenance fee was unavoidable. The PTO denied the petition on October 31, 2005. Burandt filed a petition for reconsideration of the decision, which was denied on February 1, 2006. Burandt then filed another petition for reconsideration, which was denied in the Final Agency Action dated May 26, 2006.[1]

Burandt brought an action against the Director under the Administrative Procedure Act ("APA") in the Eastern District of Virginia, alleging that the Director's denial of his request for reinstatement was arbitrary and capricious and an abuse of discretion. Both parties moved for summary judgment. On July 12, 2007, the district court granted summary judgment in favor of the Director. *Burandt v. Dudas,* 496 F. Supp. 2d 643 (E.D. Va. 2007). In reaching its decision, the court noted that under our decision in *Ray v. Lehman,* 55 F.3d 606 (Fed. Cir. 1995), one must look to the actions of the party responsible for payment of the maintenance fees to determine whether a delay in payment was unavoidable. The court determined that

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[1] Burandt also filed a fourth petition, a Petition Under 37 C.F.R. § 1.183 for Suspension of Rule 37 C.F.R. § 1.378(b) ("Rule 183 petition"), which the PTO denied in its May 26, 2006 decision.

IRI was the party responsible for making payment here and that Burandt failed to proffer any evidence showing that IRI exercised due care in paying the maintenance fee. In contrast, the record showed that IRI deliberately allowed the '406 patent to expire, as it had allowed three others of Burandt's patents to expire prematurely. The court also rejected Burandt's assertion that his actions, as the putative equitable owner of the patent, should have been considered in the unavoidable delay analysis. The court found, however, that even if Burandt's actions had been considered, Burandt failed to show reasonable care in paying the maintenance fee and thus the same result would have been reached. The court entered final judgment in favor of the Director.

Burandt timely appealed the court's decision. We have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1).

DISCUSSION

We review a district court's grant of summary judgment *de novo*, reapplying the standard applicable at the district court. *See Rodime PLC v. Seagate Tech., Inc.*, 174 F.3d 1294, 1301 (Fed. Cir. 1999). Because this case was brought under the APA, we apply the standard of review set forth in that statute. The APA provides that "[t]he reviewing court shall . . . hold unlawful and set aside agency action, findings, and conclusions found to be arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law." 5 U.S.C. § 706(2)(A). Under an arbitrary

and capricious standard, the scope of review is narrow and a court may not "substitute its judgment for that of the agency." *Motor Vehicle Mfrs. Ass'n of U.S., Inc. v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 43 (1983). A court reviewing the agency decision "must consider whether the decision was based on a consideration of the relevant factors and whether there has been a clear error of judgment." *Bowman Transp., Inc. v. Ark.-Best Freight Sys., Inc.*, 419 U.S. 281, 285 (1974) (quotations omitted). "An abuse of discretion occurs where the decision is based on an erroneous interpretation of the law, on factual findings that are not supported by substantial evidence, or represents an unreasonable judgment in weighing relevant factors." *Star Fruits v. United States*, 393 F.3d 1277, 1281 (Fed. Cir. 2005).

On appeal, Burandt raises four primary arguments. First, Burandt argues that the district court erred by giving deferential review to the PTO's determination regarding unavoidable delay. Second, Burandt asserts that the court erred by focusing on the actions of IRI as the legal title holder in determining whether there was unavoidable delay rather than focusing on the actions of Burandt as the equitable owner. Third, Burandt contends that the court erred by failing to find that Burandt's delay in paying the maintenance fee was literally unavoidable. Lastly, Burandt argues that the court erred in sustaining the denial of the Rule 183 Petition.

In response, the Director argues that the district court correctly concluded that the PTO's denial of

Burandt's request for reinstatement was neither arbitrary nor capricious. The Director asserts that, under *Ray v. Lehman*, 55 F.3d 606 (Fed. Cir. 1995), the court properly considered the actions of IRI as the legal title owner. According to the Director, the record demonstrated that IRI failed to pay the required maintenance fee and thus that Burandt failed to make a showing of unavoidable delay. Lastly, the Director argues that the court correctly determined that even if the actions of Burandt had been considered, Burandt's claim would still have failed because he did not exercise sufficient diligence to satisfy the unavoidable delay standard.

We agree with the Director. The Patent Act governs whether a patent that has expired due to nonpayment of maintenance fees can be reinstated. Pursuant to 35 U.S.C. § 41(b), maintenance fees are to be paid at three different intervals during the life of a patent. 35 U.S.C. § 41(b). In the event payment of a maintenance fee is not received in the PTO by the due date or within a six-month grace period, "the patent will expire as of the end of such grace period." *Id.* The statute further provides that:

> (c)(1) The *Director may accept* the payment of any maintenance fee required by subsection (b) of this section which is made within twenty-four months after the six-month grace period if the delay is shown to the satisfaction of the Director to have been unintentional, or at any time after the six-month grace period *if the delay is shown to*

> *the satisfaction of the Director to have been unavoidable.*

35 U.S.C. § 41(c)(1) (emphases added). Thus, the statute provides the Director with the discretion to accept a late maintenance fee any time after the close of the grace period if the delay is shown to the satisfaction of the Director to have been unavoidable.

In *Ray,* we held that "in determining whether a delay in paying a maintenance fee was unavoidable, one looks to whether the party responsible for payment of the maintenance fee exercised the due care of a reasonably prudent person." *Ray,* 55 F.3d at 609. Under the PTO regulations, a patentee can show unavoidable delay by demonstrating that "reasonable care was taken to ensure that the maintenance fee would be paid timely and that the petition [to accept an unavoidably delayed payment] was filed promptly after the patentee was notified of, or otherwise became aware of, the expiration of the patent." 37 C.F.R. § 1.378(b)(3). In addition, "[t]he showing must enumerate the steps taken to ensure timely payment of the maintenance fee, the date and the manner in which patentee became aware of the expiration of the patent, and the steps taken to file the petition promptly." *Id.*; *see also Ray,* 55 F.3d at 609.

Here, IRI, as the legal title holder of the patent, was the party responsible for paying the maintenance fee. The record demonstrated that IRI failed to exercise reasonable care in ensuring that the maintenance fee would be paid in a timely manner. Indeed,

the record was devoid of any evidence suggesting that IRI took any steps to make timely payment of the maintenance fee. Rather, the record indicated that IRI allowed the '406 patent to expire, as it had deliberately allowed three others of Burandt's patents to expire. As such, under the guidance set forth in *Ray*, we find no clear error of judgment or any abuse of discretion with regard to the Director's conclusion that unavoidable delay was not shown.

We disagree with Burandt's argument that the district court erred by focusing on the actions of IRI. According to Burandt, he attempted to gain legal title to the '406 patent in March 1989 by exercising his repurchase rights under the 1981 Agreement, but IRI "obstinately" refused to reassign the patent, and the relationship between the two parties deteriorated. Notwithstanding IRI's refusal to reassign, Burandt contends that he gained equitable title to the patent when he exercised his repurchase rights in 1989. Therefore, Burandt asserts that the ownership of the '406 patent was "divergent" at the time the first maintenance fee was due, and thus that he should not be bound by IRI's actions.

Burandt's argument directly flies in the face of our holding in *Ray*, where we expressly held that it is the actions of the party responsible for making payments of the maintenance fees, the legal title owner, that must be considered when evaluating unavoidable delay under 35 U.S.C. § 41(c). To the extent that Burandt suggests that the Director cannot rely only on a party's representation of ownership when

presented with a petition for reinstatement under 37 C.F.R. § 1.378, we find no basis to adopt such a rule. The Director is entitled to rely on the representations of ownership by the parties and need not engage in a separate analysis to determine title ownership. Moreover, even if Burandt could have been considered the equitable owner of the patent, that status would not override the fact that IRI was the owner of record with the legal responsibility of paying the maintenance fees. The Director is entitled to rely on the record and does not have to conduct an equitable analysis in order to determine who must pay the maintenance fee.

Burandt further cites *Futures Technology, Ltd. v. Quigg,* 684 F. Supp. 430, 431 (E.D. Va. 1988), and *Total Containment Inc. v. Buffalo Environmental Products,* 35 U.S.P.Q. 2d 1385 (E.D. Va. 1995), in support of his assertion that the relevant inquiry should have been whether Burandt, as the equitable owner, intentionally abandoned the patent. As a preliminary matter, both *Futures* and *Total Containment* were decided by the District Court for the Eastern District of Virginia and thus, in contrast to our decision in *Ray,* are not binding precedent. Moreover, both cases concerned abandoned patent applications pursuant to 37 C.F.R. § 1.137, rather than reinstatement of expired patents due to nonpayment of maintenance fees pursuant to 37 C.F.R. § 1.378.

Additionally, those cases are factually distinguishable. In *Futures,* a case decided before *Ray,* the plaintiff entered into an agreement with a company

that was made responsible for filing patent applications on the plaintiff's inventions. The contract expressly provided that the plaintiff was the equitable owner of any patent applications or patents relating to its inventions. Although the prosecuting company received notice of the rejection of the patent application and ultimately abandoned the application, the company withheld such information from the plaintiff. Notably, when the plaintiff asked the company about the status of the application, the company misled the plaintiff into believing that work was being done on the application, when in fact the application was abandoned. The district court held that the plaintiff's delay in prosecuting the application was unavoidable given the deception and hence the equities in that case. *Futures,* 684 F. Supp. at 431.

Here, unlike the plaintiff in *Futures,* the record shows that Burandt did not make repeated inquiries about the status of his patent. Burandt conceded that he did not inquire about the '406 patent at any point during the time period between when the patent issued in 1990 and when he read the Honda article in 2001 – over a decade later. Moreover, there is no evidence in the record that IRI made misrepresentations to Burandt about the status of the '406 patent as the company had done in *Futures.* Significantly, Burandt conceded that he was aware that IRI had previously allowed three of his other patents to expire; yet he continued to rely on IRI to make the maintenance fee payments. Burandt's reliance on *Futures* is therefore misplaced.

We likewise find *Total Containment* distinguishable from the present case. While that case also involved the purported abandonment of patent applications, the court considered a different standard – the "unintentional delay" standard of 37 C.F.R. § 1.137. As such, we are not persuaded by Burandt's assertion that reversal is warranted in light of *Futures* and *Total Containment*.

We further disagree with Burandt's assertion that the district court erred by giving deferential review to the PTO's determination of unavoidable delay. Burandt's argument appears to be premised on his assertion that the court's conclusion that delay was not unavoidable conflicts with the Congressional intent of 35 U.S.C. § 41, *viz.*, "to avoid the inequitable loss of patent rights," which Burandt states appears in the legislative history. While it may well have been the intent of Congress to permit patentees to avoid the inequitable loss of patent rights, Congress gave the Director the responsibility of determining the circumstances under which a late payment may be waived. We agree with the Director that unavoidable delay was simply not shown in this case, particularly in light of IRI's failure to pay the maintenance fee combined with Burandt's failure to inquire about the status of his patent until over a decade after his patent issued. We thus find no conflict with the intent of the statute.

We are likewise unpersuaded by Burandt's argument that the district court erred in failing to find that the delay in paying the maintenance fee was

literally unavoidable. Burandt essentially argues that the court wholly ignored Burandt's destitute financial condition during the relevant time period and failed to give due weight to Burandt's mental disability in concluding that Burandt's actions failed to meet the unavoidable standard. We conclude that the district court did not err when it considered and rejected the evidence relating to Burandt's purported mental disability and destitution. Although the facts surrounding Burandt's situation are no doubt unfortunate, they are irrelevant given IRI's status as the legal owner of the patent at the time the first maintenance fee was due. In any event, the Board and the district court considered Burandt's financial status and mental condition, but found no evidence in the record to show that, despite his condition, he could not have inquired into the status of his patent during the eleven years between the patent's issuance and his discovery of its expiration in 2001.

Lastly, we disagree with Burandt that reversal is warranted because the district court erred in sustaining the denial of his Rule 183 petition. Burandt filed a petition under 37 C.F.R. § 1.183, which provides that:

> In an extraordinary situation, when justice requires, any requirement of the regulations in this part which is not a requirement of the statutes may be suspended or waived by the Director or the Director's designee, sua sponte, or on petition of the interested party,

> subject to such other requirements as may be imposed.

37 C.F.R. § 1.183. The PTO denied Burandt's request for waiver upon concluding that a showing of unavoidable delay is required under § 1.378 and thus that the fee cannot be waived. There is no error in the PTO's denial or in the district court's upholding of that denial. Section 183 is cast in discretionary terms, providing that the Director may waive a requirement. He did not waive the fee requirement here, and, for the reasons stated above, we find no error with respect to that decision.

We have considered Burandt's remaining arguments and found none that justify reversal. Accordingly, we conclude that the Director's decision to deny Burandt's request for reinstatement of the '406 patent was neither arbitrary or capricious, nor an abuse of discretion.

CONCLUSION

For the foregoing reasons, we affirm the decision of the district court.

AFFIRMED

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA

Alexandria Division

CORLISS O. BURANDT, Plaintiff, v. JON W. DUDAS, Director of the United States Patent & Trademark Office Defendant.	)	Civil Case No. 1:06cv1141 (Filed [Illegible])

ORDER

For the reasons stated in the accompanying Memorandum Opinion, it is hereby

ORDERED that Defendants' Motion for Summary Judgment is GRANTED, Plaintiff's Motion for Summary Judgment is DENIED, and this case is DISMISSED.

/s/ Claude M. Hilton
UNITED STATES
DISTRICT JUDGE

Alexandria, Virginia
July 12, 2007

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA

Alexandria Division

CORLISS O. BURANDT, Plaintiff, v. JON W. DUDAS, Director of the United States Patent & Trademark Office Defendant.	)	Civil Case No. 1:06cv1141 (Filed [Illegible])

MEMORANDUM OPINION

This matter comes before the Court on cross motions for summary judgment. Plaintiff Corliss Burandt filed a Complaint in this Court on October 10, 2006, seeking judicial review under the Administrative Procedures Act ("APA"), 5 U.S.C. §§ 701 *et seq.* (2000), challenging a decision made by Defendant Jon W. Dudas, Director of the United States Patent and Trademark Office (USPTO) and Undersecretary of the Department of Commerce for Intellectual Property, denying Plaintiff's petitions to reinstate United States Patent No. 4,961,406 (the '406 patent). In the Complaint, Plaintiff claims that he adequately showed that the delay in payment of the patent maintenance fee was "unavoidable" under 35 U.S.C. § 41(c)(1) (2000), and thus, Plaintiff is entitled to reinstatement of the '406 patent. In the Complaint,

Plaintiff also petitions this Court for a writ of mandamus to compel Defendant to reinstate the '406 patent, alleging that Defendant's refusal to reinstate the '406 patent was arbitrary, capricious, and an abuse of discretion. Both Plaintiff and Defendant now move this Court for summary judgment.

Plaintiff Corliss Burandt is a United States citizen and resident of Minnetonka, Minnesota. Plaintiff claims that he is the sole inventor of the '406 patent as well as the current assignee, and the legal and equitable title holder of the '406 patent, a "Method and Device for Optimizing the Air-Fuel Mixture Bum Rate of Internal Combustion Engines During Low Speed, Light and Heavy Load Operating Conditions," issued on October 9, 1990, from U.S. Patent Application No. 07/1,778,467, filed on April 7, 1988.

Defendant Jon W. Dudas is the Director of the USPTO and Undersecretary of the Department of Commerce for Intellectual Property. The USPTO is a federal agency within the United States Department of Commerce, located in Alexandria, Virginia in the judicial district of the Eastern District of Virginia, Alexandria Division. This Court has jurisdiction over the subject matter pursuant to the APA, 5 U.S.C. §§ 701 *et seq.* and federal question jurisdiction pursuant to 28 U.S.C. §§ 1331 and 1361 (2000).

In September 1980, Plaintiff designed engines for Investment Rarities Incorporated (IRI), a Minnesota company. On August 4, 1981, Plaintiff voluntarily

entered into an assignment agreement with IRI which provided that IRI would fund Plaintiff's research and development of engine designs and, in return, any and all patent applications and patents developed using IRI's funds would become the property of IRI. As compensation, Plaintiff would receive twenty-eight percent of the net profits derived from such patents. The agreement further provided that Plaintiff could repurchase the patents from IRI if certain prerequisites were met, including IRI's notice that it would no longer fund Plaintiff's research and that any funded project was not substantially completed. Pursuant to the agreement, Plaintiff developed and assigned to IRI the '406 patent.

At that time, the maximum term allowable for the '406 patent was seventeen years from the date of issuance. To prevent the '406 patent from expiring prematurely, IRI, the legal title holder, was required to pay maintenance fees to the USPTO at three-and-a-half, seven-and-a-half, and eleven-and-a-half years from the date of issuance. The '406 patent issued on October 9, 1990. IRI's first maintenance fee was due on April 9, 1994, but could be paid up to six months late with a surcharge. *See* 35 U.S.C. § 41(b). IRI did not pay or attempt to pay the three-and-a-half year maintenance fee and, as such, the '406 patent expired on October 9, 1994.

According to Plaintiff, he first learned that the '406 patent expired seven years later, in December 2001, when Plaintiff read an article regarding the introduction of a variable valve engine by Honda.

Plaintiff claims that at this time, he contacted the USPTO to confirm that all was in order with his patents. Plaintiff concedes and the administrative record confirms that Plaintiff made no attempt to contact the USPTO or IRI at any time during the ten years between the issuance of the '406 patent and December 2001, let alone at any time prior to the date on which the initial or second maintenance fees were due, even to inquire as to whether IRI had paid the maintenance fees associated with the patent.

Plaintiff maintains that after discovering that the '406 patent had expired, Plaintiff sought and regained legal title to the patent from IRI on May 21, 2002. On October 9, 2005, more than eleven years after the deadline for paying the initial three-and-a-half-year maintenance fee, more than nine years after the period for reinstating the patent under the less strict "unintentional delay" standard,[1] and more than three years after Plaintiff regained title, Plaintiff attempted to pay the requisite maintenance fees and reinstate the '406 patent under the more stringent "unavoidable delay" standard.

In total, Plaintiff filed four petitions, making the same arguments for reinstatement of the '406 patent in each petition. In his petitions, Plaintiff did not

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[1] The USPTO may accept late maintenance fee payments for up to twenty-four months after expiration if a patent owner shows that his late payment was merely "unintentional." *See* 35 U.S.C. § 41(c)(1).

present any evidence that IRI had taken any steps to pay maintenance fees in the '406 patent nor did Plaintiff explain the reasons behind IRI's failure to pay the fees or that any delay on IRI's part was "unavoidable." Instead, Plaintiff argued that he should not be bound by the acts of the prior assignee, IRI, because Plaintiff maintained equitable title in the '406 patent. In support of this argument, Plaintiff produced letters demonstrating that he and his attorney had contacted IRI between 1988 and 1990 in an attempt to exercise Plaintiff's repurchase option under the assignment agreement. Plaintiff asserted that he was unable to pursue court action to regain title of the '406 patent over the next twelve years because of lack of funding. In short, Plaintiff asked the USPTO to ignore the actions of the legal title owner, IRI, and to instead focus solely on his actions as the alleged equitable title owner in determining whether to reinstate the '406 patent.

Building on this premise, Plaintiff next argued that any delay on his part, as the alleged equitable title holder, was "unavoidable" based on his financial status and mental illness. Plaintiff proffered financial records to show that he lacked sufficient financial capacity at the time that the maintenance fees in the '406 patent first came due, and for some period thereafter. Plaintiff also produced declarations from his psychiatrist to show that he suffered from an anxiety disorder which, in his psychiatrist's opinion, would allow Plaintiff to "provide effective assistance to counsel in proceeding before the USPTO only provided that

counsel was patient and properly focused on the relevant inquiries." Finally, Plaintiff asserted that, beginning in December 2001, after Plaintiff learned the '406 patent expired, Plaintiff made several attempts with attorneys, congressional leaders, automobile manufacturers, and the press to get legal and financial assistance to reinstate the expired '406 patent.

The USPTO issued three decisions in this matter, the first two dismissing Plaintiff's petitions and the last denying his final petition. In its decisions, the USPTO explained that the evaluation of a petition to reinstate a patent under the "unavoidable delay" standard looks to three time frames: (1) the delay that originally resulted in the expiration, (2) the delay in filing the first petition to reinstate, and (3) the delay in filing a grantable petition to reinstate. Consistent with the Federal Circuit's decision in *Ray v. Lehman,* 55 F.3d 606 (Fed. Cir. 1998), the USPTO interpreted 35 U.S.C. § 41(c) and its own regulation, 37 C.F.R. § 1.378(b)(3) (2006) as follows:

> [A]n adequate showing that the delay in payment of the maintenance fee at issue was "unavoidable" within the meaning of 35 U.S.C. § 41(c) and 37 C.F.R. [§] 1.378(b)(3) requires a showing of the steps taken by the responsible party to ensure the timely payment of the [first] maintenance fee for this patent.

The USPTO's evaluation, therefore, focused on the activities of the responsible party in each of the relevant time periods.

With regard to the first time period, the USPTO found that, as the legal title holder, IRI was responsible for paying the three-and-a-half year maintenance fee for the '406 patent, but failed to do so. The USPTO reminded Plaintiff that, under 35 U.S.C. § 41(c), Plaintiff has the burden of establishing the cause of the "unavoidable delay," and then found that Plaintiff failed to present any evidence that steps were taken by or on behalf of IRI to ensure timely payment of the three-and-a-half year maintenance fee. The USPTO also cautioned Plaintiff that, in the absence of adequate evidence showing that IRI transferred its obligation to pay the requisite fees to Plaintiff at the time the first maintenance fee came due in 1994, Plaintiff must show that IRI had measures in place to make the fee payment but was "unavoidably" prevented from doing so. According to the USPTO, Plaintiff failed to make such a showing.

Turning to the last two periods of delay, the USPTO noted that Plaintiff waited four years after Plaintiff learned that the '406 patent expired to file his petition to reinstate. Although the USPTO expressed sympathy for Plaintiff's unfortunate financial and mental condition during this time period, the USPTO observed that, for mental illness to constitute "unavoidable delay" under § 1.378(b), the incapacitation must be "of such a nature and degree as to render [Plaintiff] unable to conduct business during"

the relevant period. In this regard, the USPTO noted that Plaintiff's ability to write numerous letters to IRI and Honda threatening legal action, and to automobile companies, the press, congressional officials and others to obtain funding for and market his invention indicated that Plaintiff's delay in filing his petition was not "unavoidable."

With respect to Plaintiff's equitable interest argument, the USPTO acknowledged the repurchase rights in Plaintiff's assignment agreement with IRI, but found no evidence that those rights had been exercised (i.e., IRI was still the owner of the '406 patent) when the time the first fee came due. Because IRI was the owner of the patent at the time the first maintenance fee was due, Plaintiff was "bound by the actions or inactions[,] errors or omission[s] of IRI, the responsible entity." And, even if Plaintiff had equitable title and "assumed responsibility for payment of maintenance fees, it [was] incumbent upon [Plaintiff] to show that he acted as a reasonable and prudent person in pursuit of [his] most important business." The USPTO found that Plaintiff had not employed any system, "however rudimentary, to inform him . . . of when the maintenance fee was due."

The USPTO concluded that it was clear that Plaintiff had "relied on IRI to pay the maintenance fee" during the relevant time period, and that although Plaintiff should not have been so trusting, "it does not constitute unavoidable delay."

In rejecting Plaintiff's equitable title argument, the USPTO distinguished the circumstances found in the administrative record before it from those presented to this Court in *Futures Techs. v. Quigg*, 684 F. Supp 430 (E.D. Va. 1988). In *Futures*, the legal owner lied to the plaintiff about the status of a patent application. *Id.* at 431. Although Plaintiff was clearly upset with IRI's conduct towards him, the USPTO noted that IRI had not committed fraud upon Plaintiff let alone lied to Plaintiff about whether IRI had paid the maintenance fees. In addition, the USPTO explained that *Futures* concerned a patent application, about which only a patent owner may inquire, whereas here, Plaintiff was free to contact the USPTO to inquire about the status of the '406 patent at any time as his actions in 2001 demonstrate. *Id.* The USPTO pointed out that Plaintiff never took this action prior to the expiration of the '406 patent. In fact, despite Plaintiff's knowledge that IRI had previously let three of his other patents expire prematurely, Plaintiff continued to rely upon IRI to make fee payments for the '406 patent.[2] Plaintiff now asks that this Court review the USPTO's decision.

The sole question presented in the instant action is whether Plaintiff has borne his burden to demonstrate that Defendant's refusal to reinstate his

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[2] The USPTO also rejected Plaintiffs argument that as only an equitable owner, USPTO would not have accepted payment from him, and that he was similarly barred from filing a petition for reinstatement.

expired patent was "arbitrary, capricious, an abuse of discretion or otherwise not in accordance with law," 5 U.S.C. § 706(2)(A) (2000), especially given the degree of discretion to which the Director is entitled. *See e.g., Motor Vehicles Mfrs. Ass'n v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 41 (1983). If Plaintiff has not made this essential demonstration, Defendant is entitled to judgment as a matter of law.

Pursuant to Rule 56(c), this Court must grant summary judgment if the moving party demonstrates "that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(c). In reviewing a motion for summary judgment, this Court views the facts in a light most favorable to the non-moving party. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986). Once a motion for summary judgment is properly made and supported, the opposing party then has the burden of showing that a genuine dispute as to any material fact does exist. *Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 586-87 (1986). The mere existence of some alleged factual dispute between the parties will not defeat an otherwise properly supported motion for summary judgment; the requirement is that there be no genuine issue of material fact. *Anderson*, 477 U.S. at 248. "Rule 56(e) requires the nonmoving party to go beyond the pleadings and by [his] own affidavits, or by the 'depositions, answers to interrogatories, and admissions on file,' designate 'specific facts showing

that there is a genuine issue for trial.'" *Celotex Corp. v. Catrett*, 477 U.S. 317, 324 (1986).

In determining whether agency action violates 5 U.S.C. § 706(2)(A), the Fourth Circuit held that the court is limited to reviewing whether the agency conformed with controlling statutes and whether the agency committed a clear error of judgment. *Holly Hill Farm v. United States*, 447 F.3d 258, 263 (4th Cir. 2006) (quoting *Maryland Dep't of Human Res. v. USDA*, 976 F.2d 1426, 1475 (4th Cir. 1992)). The standard of review is "narrow," and does not authorize a district court "to substitute its judgment for that of the agency." *Citizens to Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402, 416 (1971). In summary, a reviewing court pursuant to the APA "must give deference . . . to the agency's decision if supported by rational basis in the record." *Fort Mill Telephone Co. v. FCC*, 719 F.2d 89, 91 (4th Cir. 1983).

In the instant action, this Court is asked to review an agency's decision applying a regulatory framework that the agency created. *See generally Chevron USA, Inc. v. Nat. Res. Def. Coun.*, 467 U.S. 837 (1984); *see also MMTC, Inc. v. Rogan*, 369 F. Supp. 2d 675, 678 (E.D. Va. 2004) (recognizing that inquiry was limited to a "consider[ation of] whether the decision was based on a consideration of the relevant factors and whether there has been a clear error of judgment").

A patent owner seeking to reinstate an expired patent bears the burden of proving that the delay was

"unavoidable." *See R.R. Donnelley*, 123 F. Supp. 2d at 459. To establish that the delay was "unavoidable," the patent owner must provide evidence that "reasonable care was taken to ensure that the maintenance fee would be paid timely and that the petition was filed promptly after the patentee was notified of, or otherwise became aware of, the expiration of the patent," and "enumerate the steps taken to ensure timely payment of the maintenance fee, the date and the manner in which [the] patentee became aware of the expiration of the patent, and the steps taken to file the petition [for reinstatement] promptly." 37 C.F.R. § 1.378(b)(3).

The key question is, as the Federal Circuit has held, "whether the party responsible for payment of the maintenance fee exercised the due care of a reasonably prudent person," *Ray v. Lehman*, 55 F.3d 606, 609 (Fed. Cir. 1995). In this context, the "reasonably prudent person" has been interpreted to mean that the patent owner must exercise the diligence "generally used and observed by prudent and careful men in relation to their most important business." *R.R. Donnelley*, 123 F. Supp. 2d at 459 (quoting *In re Mattullath*, 38 App. D.C. 497 (1912)). Congress intended the "unavoidable" delay standard to be strict. As Congress has written, "[a]fter the expiration of a reasonable period of time, the patentee would bear a heavy burden of proof that the delay was unavoidable." H.R. Rep. No. 97-542, at 8 (1982), reprinted in 1982 U.S.C.C.A.N. 772.

The Federal Circuit has conclusively and unequivocally spoken about whose actions must be reviewed in determining whether a delay in paying maintenance fees is to be considered "unavoidable" pursuant to both 35 U.S.C. § 41(c) and 37 C.F.R. 1.378(b)(3): "[I]n determining whether a delay in paying a maintenance fee was unavoidable, one looks to whether the party responsible for payment of the maintenance fee exercised the due care of a reasonably prudent person." *Ray*, 55 F.3d at 609.

IRI was the party responsible for paying the initial maintenance fee. In none of Plaintiff's several petitions for reinstatement did Plaintiff argue to the contrary. In fact, Plaintiff openly concedes that he relied on IRI to pay the maintenance fees. Initially, Plaintiff admitted in a sworn declaration submitted to the USPTO that, after several failed attempts to exercise his repurchase rights with IRI, the latter "agree[d] to cooperate in marketing whatever was left to market in the portfolio that would have required payment of the maintenance fees." Plaintiffs purported surprise upon contacting USPTO in 2001 and learning that the '406 patent had expired for failure to pay maintenance fees also conclusively demonstrates that Plaintiff believed that IRI would be responsible for paying the requisite fees.

Despite IRI's responsibility for payment of the maintenance fees at the time, Plaintiff did not offer a scintilla of evidence concerning the circumstances attending IRI's failure to pay the pertinent maintenance fees, let alone any explanation of the steps IRI

took to ensure timely payment. The administrative record is devoid of any evidence even suggesting that IRI – with respect to the payment of maintenance fees on the '406 patent – exercised the due care of a reasonably prudent person. *See Muttallah*, 38 App. D.C. at 514.

In short, given the Federal Circuit's decision in *Ray*, the instant inquiry should focus on the reasons behind IRI's failure to pay the maintenance fees on the '406 patent in a timely fashion. Plaintiff failed to present evidence that IRI treated the '406 patent and, most importantly, the maintenance fees associated with the same, as a reasonably prudent person would his most important business. In contrast, the record indicates that IRI intentionally let the '406 patent expire, just as it had other patents related to Plaintiff's inventions. Given this Court's deferential review, Defendant is entitled to the entry of summary judgment in his favor.

In Plaintiff's arguments to the USPTO, Plaintiff erroneously relied on this Court's decision in *Futures*, 684 F. Supp. at 430, to support his position that because he retained an equitable interest in the '406 patent, the "unavoidable delay" inquiry should focus upon his actions. *Futures*, however, is readily distinguishable from the facts presented in the administrative record. In *Futures*, an inventor assigned a patent application to a third party entity, who neglected the application after the USPTO initially rejected it, and the USPTO ultimately found the application abandoned. *See id.* at 430. Before the USPTO's abandonment finding,

however, the assignee fraudulently ensured the inventor that it was working on – and would complete – the application, and other repeated inquiries into the status of the application were rebuffed. *See id.* at 430-31. After learning that the application was abandoned, and that the assignee had lied about its continuing work on the application, the inventor unsuccessfully petitioned the USPTO to revive his application under the unavoidable delay standard. *See id.* at 431.

This Court reversed the USPTO's denial of that petition, holding that "[b]ased on the facts of this case . . . this patent application was not intentionally abandoned and . . . the delay in its prosecution was unavoidable." *Id.* After referencing the fact that plaintiff was the equitable owner of the patent application in question, this Court analyzed whether "plaintiff exercised the diligence observed by prudent and careful men." *Id.* In engaging in this analysis, this Court recognized that "plaintiff requested information from [the third-party assignee] regarding the status of the application which forms the basis of this case" and was ultimately lied to about the same. *Id.* Given these specific facts, this Court held that "plaintiff's delay in prosecuting th[e] application was unavoidable." *Id.*

For several reasons, even if this Court were able – despite the Federal Circuit's decision in *Ray* – to look to the actions of a party other than the party responsible for paying the maintenance fees at the time they were due, this Court's decision in *Futures*

cannot serve to rescue Plaintiff's claim. Specifically, Plaintiff cannot make the necessary showing that his actions with respect to the payment of maintenance fees – either before the expiration of the '406 patent in October 1994 or in the seven years beyond that date – meets the stringent "unavoidable" standard.

The administrative record demonstrates that far from treating the payment of maintenance fees on the '406 patent as his "most important business," Plaintiff never employed any system whatsoever to remind himself of the necessity of timely paying the necessary fees, never inquired of IRI or the USPTO whether the maintenance fees would or had already been paid, and as such, was never – unlike the plaintiff in *Futures* – defrauded into erroneously believing that such an obligation had been completed. To the contrary, the record evidence is that Plaintiff blindly relied upon IRI to pay the maintenance fees on the '406 patent notwithstanding knowledge of IRI's earlier failures, and was surprised when he learned in 2001 that the patent had expired for failure to pay such fees. Moreover, Plaintiff could have easily contacted the USPTO to inquire about the status of the '406 patent, but did not do so until seven years after it had expired. These undisputed record facts make the instant circumstances far different from the equities that led this Court to conclude that the Plaintiff in *Futures* had acted in accordance with the relevant standard.

As stated earlier, the courts have interpreted the "unavoidable delay" standard as requiring the

individual or entity in question to have exercised the due care and diligence "generally used and observed by prudent and careful men in relation to their most important business" in attempting – but failing – to pay the maintenance fee in a timely fashion. *R.R. Donnelley*, 123 F. Supp. 2d at 459 (quoting *Mattullath*, 38 App. D.C. at 497); *see also MMTC*, 369 F. Supp. 2d at 678 (reviewing the "steps [taken] to ensure timely payment of maintenance fees" against the above standard). The plaintiff in *Futures* made repeated efforts to ensure that the third-party assignee was continuing to process and work on the patent application at issue, and as such, that the application was not being abandoned. *See Futures*, 684 F. Supp. at 430-31. Despite these efforts, the third-party assignee withheld information and lied to the plaintiff about the application.

The record evidence in the instant case concerning Plaintiff's efforts to ensure that the maintenance fees would be paid timely on the '406 patent or lack thereof are quite different. At the threshold, there is absolutely no record evidence to the effect that, after the issuance of the '406 patent in 1990, Plaintiff made any inquiry whatsoever – whether to IRI or USPTO – concerning the payment of maintenance fees. In addition, no evidence exists that IRI lied to Plaintiff that the fees had been paid. Indeed, there is no record evidence even suggesting that Plaintiff employed any system whatsoever to remind himself that the initial maintenance fee was due on the '406 patent in or

around October 1993, although Plaintiff could have done so.

To the contrary, the record evidence – including Plaintiff's own sworn declaration – provides that after he and IRI purportedly settled their contract dispute through an agreement executed in May 1990, Plaintiff blindly relied upon IRI to pay the requisite maintenance fees. The record reflects that in December 2001, seven years after the '406 patent expired, Plaintiff contacted the USPTO to confirm that all was in order with my patents and learned for the first time that IRI had not paid the required maintenance fee and that the patent had lapsed. Plaintiff also relied on IRI notwithstanding several previous situations in which by Plaintiff's own allegations, IRI was not financially supporting Plaintiff's other inventions or remitting the necessary payments to the USPTO concerning, inter alia, the invention that would become the '406 patent.

Plaintiff's own writings demonstrate that he knew that IRI had allowed patents on three of his other inventions to expire prematurely. And although this is irrelevant to whether one has demonstrated "unavoidable delay" in the payment of maintenance fees, *see Rydeen v. Quigg*, 748 F.Supp. 900, 905 (D.D.C. 1990), *aff'd*, 937 F.2d 623 (Fed. Cir. 1991), there can be little doubt that Plaintiff knew of the obligation to remit maintenance fees. The failure to take any action either to ensure that the maintenance fees were paid by IRI, or even to determine whether the fees had been paid, until seven years had passed

from the date of expiration can hardly be squared with the manner by which "prudent and careful men" conduct their most important business. *See R.R. Donnelley & Sons*, 123 F. Supp. 2d at 461 (finding delay not "unavoidable" because "([o]ther than blindly leaving the maintenance fees for the '031 patent to [a third-party] . . . plaintiff has not established that any steps were taken to ensure timely payment").

The irrefutable facts also belie Plaintiff's attempts to demonstrate that the delay in paying the maintenance fees was "unavoidable" as a result of his alleged medical and financial incapacity. As stated above, the record demonstrates that Plaintiff took no action whatsoever in the eleven years (which began before his purported incapacitation) between the issuance of the '406 patent and his discovery of its expiration in 2001 to determine whether the necessary fees had been remitted. Accordingly, as the USPTO correctly found, because Plaintiff did not even know of IRI's failure to pay the fees, he would not have taken any action with respect to the maintenance fees even if he were completely healthy and financially sound. The record also fails to demonstrate that Plaintiff's condition prevented him from inquiring into the status of the patent. To the contrary, his own contact with the USPTO in 2001 "to confirm that all was in order with [his] patents," his subsequent negotiations with IRI to have the '406 patent reassigned to him, and his numerous letters for assistance from Congress, automobile manufacturers, and

attorneys (which ultimately led to this proceeding) belie any such contention.

In addition, Plaintiff's conceded reliance upon IRI to pay the requisite maintenance fees renders him bound by IRI's failures. As the USPTO opined, and as another district court has provided, when one relies upon another individual or entity for the payment of maintenance fees, the individual "is bound by any errors that may have been committed by" that third-party. *California Med. Prods., Inc. v. Tecnol Med. Prods., Inc.*, 921 F. Supp. 1219, 1259 (D. Del. 1995); *Haines v. Quigg*, 673 F. Supp. 314, 317 (N.D. Ind. 1987) (imputing on the patentee failures of agent employed to pay maintenance fees). And in these situations, the patentee may obtain reinstatement only upon a showing that the third-party's failure to pay, the maintenance fees was "unavoidable"; that is, that despite acting with the care that would be exercised by prudent men in their most important business, the fees were not ultimately paid in a timely fashion. *See Cal. Med. Prods.*, 921 F. Supp. at 1259. And as demonstrated above, Plaintiff has not presented any evidence on the subject of IRI's actions in ensuring timely payment of the necessary maintenance fees.

The "unavoidable delay" standard is necessarily stringent. Individuals and entities who are making business decisions have the right to rely on the fact that if a patent has lain dormant due to premature expiration for nearly a decade, it will be the rare case – one presenting extraordinary facts demonstrating

that there truly was nothing else that the patent owner could have done – that will cause the USPTO to reinstate such a patent and expose others to liability. Plaintiff's failure to take any action to ensure or even inquire about, before expiration, and also waiting an extensive period of time after expiration to take similar action, does not even come close to this exacting standard. The USPTO's decision is supported by a rational basis in the record and therefore Defendant is entitled to the entry of judgment in his favor on Plaintiff's APA challenge.

Plaintiff also seeks the issuance of a writ of mandamus, pursuant to 28 U.S.C. § 1361, alleging that Defendant owed him a "duty to take all the facts and circumstances into consideration in reviewing" his petitions. It is well established that, as the Supreme Court has repeatedly articulated, a writ of mandamus is considered a "drastic remed[y]" that is to be utilized only when the petitioner has made a showing that he has "no other adequate means" to attain the relief he desires, and that his right to that relief is "clear and indisputable." *See Allied Chem. Corp. v. Diaflon, Inc.*, 449 U.S. 33, 35 (1980); *Kerr v. United States District Court*, 426 U.S. 394, 402 (1976). Before a writ of mandamus may properly issue from a district court, a plaintiff must establish the following: "(1) the plaintiff has a clear right to relief; (2) the defendant has a clear duty to act; and (3) there is no other adequate remedy available to plaintiff." *In re: First Fed. Sav. & Loan Ass'n*, 860

F.2d 135, 138 (4th Cir. 1988); *Power v. Barnhart*, 292 F.3d 781, 784 (D.C. Cir. 2002).

Plaintiffs mandamus claim fails at the threshold because Plaintiff does have an adequate alternative remedy – the APA. *See Rowson v. Babbitt*, 69 F. Supp. 2d 141, 149 (D.D.C. 1999) (holding that because plaintiff could present his claim under the APA, mandamus jurisdiction would not lie); *see also Borntrager v. Stevas*, 772 F.2d 419, 420 (8th Cir. 1985) (holding mandamus jurisdiction inappropriate when petitioner had alternative review of challenged government conduct available).

More specifically, however, the record belies any notion that the USPTO failed to take into account all of the facts and circumstances presented in his petition. Through three separate decisions (totaling approximately thirty pages), USPTO officials carefully considered each of Plaintiff's arguments in favor of reinstatement, and disagreed with him that the delay in paying the maintenance fees on the '406 patent was "unavoidable."

Plaintiff also cannot maintain that the USPTO owes him a clear duty to reinstatement of the '406 patent. In order to qualify for mandamus consideration, the duty in question must be ministerial in nature, as opposed to discretionary, and "[a] ministerial duty is one that admits of no discretion, so that the official has no authority to determine whether to perform the duty." *Garcia v. U.S. Dep't of Justice*, 2005 U.S. Dist. LEXIS 18869 at *6 (D.D.C. Aug. 31,

2005) (citing *Swan v. Clinton*, 100 F.3d 973, 977 (D.C. Cir. 1996)). Every court to have addressed this specific question has concluded that both 35 U.S.C. § 41(c) and 37 C.F.R. § 1.378(b)(3) vest an inordinate amount of discretion in Defendant. Plaintiff therefore cannot establish that USPTO owed him a clear duty to accept his arguments and order reinstatement, and as such, his mandamus claim should be denied.

For the reasons set forth above, Defendant's Motion for Summary Judgment should be GRANTED, Plaintiff's Motion for Summary Judgment should be DENIED, and this case should be DISMISSED. An appropriate order shall issue.

/s/ Claude M. Hilton
UNITED STATES
DISTRICT JUDGE

Alexandria, Virginia
July 12, 2007

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2007-1504

CORLISS O. BURANDT,

Plaintiff-Appellant,

v.

Jon W. Dudas, DIRECTOR, UNITED STATES PATENT AND TRADEMARK OFFICE,

Defendant-Appellee.

Appeal from the United States District Court for the Eastern District of Virginia in case no. 1:06-CV-1141, Senior Judge Claude M. Hilton.

ORDER

(Filed Sep. 8, 2008)

A combined petition for panel rehearing and for rehearing en banc having been filed by the Appellant, and the petition for rehearing, having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc having been referred to the circuit judges who are in regular active service.

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on September 15, 2008.

FOR THE COURT,

/s/ Jan Horbaly/JB
Jan Horbaly
Clerk

Dated: 09/08/2008

cc: Scott. F. Yarnell
Stephen Walsh

Serial No.: 07/178,487, Patent No.: 4,961,406
Attorney Docket No.: 1004/00003

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re patent application of: Corliss O. Burandt	) Attorney Docket No.: 1004/00003
Serial No.: 07/178,4867	) Customer No.: 28084
Filed: April 7, 1998	) Examiner: TBD
Patent No.: 4,961,406	) GAU: 3402
Issued: October 9, 1990	) Date: October 9, 2005
Confirmation No.: 6194	)

Title: METHOD AND DEVICE FOR OPTIMIZING THE AIR-FUEL MIXTURE BURN RATE OF INTERNAL COMBUSTION ENGINES DURING LOW SPEED, LIGHT AND HEAVY LOAD OPERATING CONDITIONS

PETITION UNDER 37 CFR 1.378(B) FOR ACCEPTANCE OF UNAVOIDABLY DELAYED MAINTENANCE FEE PAYMENT

(Filed Oct. 17, 2005)

Petitioner, Mr. Corliss O. "Cob" Burandt, respectfully requests acceptance of the enclosed maintenance fee pursuant to 37 C.F.R. 1.378(b) for U.S. Patent No. 4,961,406 ('406 patent). Petitioner meets the reasonably prudent person standard and is entitled to have his unavoidably delayed maintenance fee payment accepted. Supreme Court and other precedent support a finding that the delay is excusable as described herein.

As described herein, Mr. Burandt has been totally disabled and dependent upon public assistance during the entire period that the Patent has been lapsed. He was the victim of former development partner who refused to honor his reversion rights to the above referenced patent thereby denying him the ability to attract capital to the project. Furthermore, he was the equitable owner of the patent when it expired. Mr. Burandt is a prolific technical inventor despite having only a high school education. Possible infringers have gone so far as taunting Burandt by referring to the above mentioned section of the CFR and apparently strongly implying that Mr. Burandt should not bother apply for relief. Mr. Burandt deserves every possible accommodation.

The Director may accept this payment at any time. 35 U.S.C. § 41(c)(1). Petitioner respectfully submits that fairness and justice require that this petition be granted.

Certificate of Mailing

I hereby certify that this correspondence is being deposited with the United States Postal Service with sufficient postage as first class mail in an envelope addressed to: Mail Stop Petitions, Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450 on October 9, 2005.

George M. Macdonald, Reg. No.: 39,284
/s/ George Macdonald October 9, 2005

Small Entity Status

Petitioner (Patentee) claims small entity status (small entity status was also previously claimed.)

Maintenance Fee

The following Maintenance Fee is submitted for a small entity:

$ 450.00 3½ year fee

$1,150.00 7½ year fee

$1,900.00 11½ year fee

$3,500.00 Maintenance Fee submitted

Surcharge

The surcharge required by 37 CFR 1.20(i)(1) of $700.00 is submitted herewith.

Manner of Payment

Payment is by credit card for $4,200.00. Form PTO-2038 is attached.

Overpayment

As to any overpayment or refund, please send a refund check.

Showing

The enclosed statement and supporting material will show that the delay in timely payment of the maintenance fee was unavoidable. The showing enumerates the steps taken to ensure timely payment of the maintenance fee, the date and manner in which the patentee became aware of the expiration of the patent and the steps to file this petition promptly.

Statement in Support of the Petition

Enclosed herewith is the September 22, 2005 Declaration of Dr. Paul Warner (Warner Decl.) and the October 9, 2005 Declaration of Mr. Corliss O. "Cob" Burandt (Burandt Decl.).

Petitioner respectfully submits that this submission establishes that Mr. Burandt acted reasonably and that the delay in timely payment of the maintenance fee was unavoidable. The showing enumerates the steps taken to ensure timely payment of the maintenance fee, the date and manner in which the patentee became aware of the expiration of the patent and the steps to file this petition promptly.

A. Mr. Burandt Should Not Be Bound by the Acts of the Prior Assignee

The '406 patent was issued by the United States Patent and Trademark Office ("USPTO") on October 9, 1990. Until May 21, 2002, Investment Rarities, Inc. ("IRI") held title to the '406 patent pursuant to an

assignment executed by Mr. Burandt on April 6, 1988 as recorded in the USPTO assignment records at reel/frame 004925/0548. As described herein, Mr. Burandt made at least reasonable efforts to enforce his reversion rights to regain title to the patent. Furthermore, Mr. Burandt had equitable title under the doctrine of constructive trusts.

On May 17, 1994, the USPTO printed a Maintenance Fee Reminder regarding the 4th year maintenance fee that was apparently mailed to IRI's attorney, then attorney of record Hakanson. *See* the '406 patent USPTO file history (no paper number noted). Mr. Burandt did not revolve the notice. *See* Burandt Decl. at 38.

On October 25, 1994, the USPTO printed a Notice of Patent Expiration for failure to pay the 4th year maintenance fee that was apparently mailed to IRI's attorney, then attorney of record Hakanson. *See* the '406 patent USPTO file history (no paper number noted). Mr. Burandt did not receive the notice. *See* Burandt Decl. at ¶ 39. The '406 patent expired on October 9, 1994.

On May 21, 2002, IRI assigned the '406 patent to Mr. Burandt in an agreement dated May 21, 2002 as recorded in the USPTO assignment records at reel/frame 016369/0789.

Mr. Burandt clearly held equitable title to the patent and the delay in paying the maintenance fees was clearly unavoidable as described herein. *See Futures Tech. v. Quigg*, 684 F. Supp. 430, 7 USPQ2d

1588 (E.D.Va. 1988). It is clear that even if the acts of the wrongdoer owner of the patent are intentional, the proper inquiry is to examine the acts of the equitable owner. *See Total Containment Inc. v. Buffalo Environmental Products*, 35 USPQ2d 1385, 1393 (E.D.Va. 1995). In at least one recent case, the Commissioner found excusable unavoidable delay and reinstated an application that had been abandoned for 16 years. *In re Lonardo*, 17 USPQ2d 1455 (Commr. Pat. 1990). In *Laerdal Medical Corp. v. Ambu, Inc.*, 877 F. Supp. 255, 259, 34 USPQ2d 1140, 1144 (D. Md. 1995), the court upheld the USPTO determination that nonpayment delay was unavoidable due to a patent attorney's secretary's docketing error.

The Director may accept this payment at any time. 35 U.S.C. § 4141(c)(1).

A.1 Background: Dealings With IRI

Mr. Burandt's formal education ended with a high school diploma in 1965 from Hopkins High School in Hopkins, Minnesota. He learned about automotive operation and design through reading at public libraries and working with engines. *See* Burandt Decl. at ¶ 3.

Mr. Burandt met James R. Cook, the president of Investment Rarities Incorporated (IRI), in the late 1970s and wrote some articles for magazines published by a subsidiary of IRI. *See* Burandt Decl. at ¶ 4.

Mr. Cook was in the precious metals business and Mr. Burandt understood that due to gas shortages and other economic conditions, he was interested in fuel efficient and alternative fuel automotive design. In September 1980, be began working with financial support from Mr. Cook on an engine design project. *See* Burandt Decl. at ¶ 5.

On August 4, 1981, Mr. Burandt signed an agreement with IRI ("the 1981 Agreement") to formalize the relationship. He was told that Mr. Frommelt, an IRI lawyer, prepared the contract. He was not represented by a lawyer and states that he then trusted Mr. Cook. *See* Burandt Decl., at ¶ 6. As described herein, the 1981 Agreement provided Mr. Burandt with clear repurchase rights that were not honored by IRI.

During the 1980s, Mr. Burandt worked with IRI on engine designs. Several patent applications were filed and assigned to IRI. During that time both he and Mr. Cook contacted automobile vendors in attempts to find interest and investment. During this time contracted with all three major U.S. automobile manufacturers. IRI and Mr. Burandt designed and built five prototype engines based upon some of the earlier patents for one manufacturer and one prototype each for the other two major U.S. automobile manufacturers. *See* Burandt Decl. at ¶ 7.

During 1987, IRI substantially stopped funding the project and Mr. Burandt's financial situation was severely negatively impacted. His relationship with

Mr. Cook deteriorated and he primarily dealt with IRI through other employees. *See* Burandt Decl. at ¶ 8.

During 1988-1991, IRI continued paying maintenance, fees for the issued patents and at least partially funded the preparation and filing of the above referenced patent using a new patent attorney. *See* Burandt Decl. at ¶ 9.

During that time, Mr. Burandt frequently spoke by telephone with IRI employees, including Mr. Tom Stock, to urge financial support for the project. He also continued to seek interested customers for the project. *See* Burandt Decl. at ¶ 10.

Mr. Burandt notified IRI at least as early as June 29, 1988 that he was exercising his repurchase rights under the 1981 Agreement. IRI refused to honor the obligation. Mr. Burandt again wrote IRI on January 19, 1989 in an attempt to resolve the dispute. On February 1, 1989 IRI's lawyer responded denying his repurchase rights but still clearly desiring to benefit from his inventions. IRI had previously written to Volkswagen in an attempt to benefit from his inventions. *See* Burandt Decl. at ¶ 11.

On February 14, 1989, IRI's attorney again wrote rejecting Mr. Burandt's proposal to resolve the dispute. On March 15, 1989, he again wrote IRI exercising his repurchase rights and providing the lien that IRI complained had not been provided. On the same day, Mr. Burandt wrote IRI's attorney in response to his February 1, 1989 letter. *See* Burandt Decl. at

¶ 12. Accordingly, Mr. Burandt had tendered the required lien in order to exercise the repurchase rights as of March 15, 1989.

Mr. Burandt learned that IRI had abandoned three of his earlier filed patents. He wrote them on March 28, 1989 to protest and to again request that IRI honor his repurchase rights. IRI had agreed to pay the fees for the application of the '406 patent. Mr. Burandt then learned from IRI's patent attorney that his bill for the application of the '406 had not been paid. He wrote IRI on June 27, 1989 to insist that they honor his repurchase rights. He then found what little financial support that he could to hire attorney Jeffrey Carson to enforce his repurchase rights. He wrote IRI on August 18, 1989, IRI refused. Mr. Burandt wrote IRI again on September. 27, 1989 in another unsuccessful attempt to convince IRI to honor his repurchase rights. He wrote IRI again on October 14, 1989 in yet another unsuccessful attempt to convince IRI to honor his repurchase rights. Mr. Carson again wrote IRI on January 19, 1990 requesting that IRI honor the repurchase rights. IRI refused. IRI did agree to cooperate in marketing whatever was left to market in the portfolio that would have required payment of the maintenance fees. Mr. Burandt was not able to pursue court action to regain title to the patents because he could not obtain additional funding due to the title problems caused by IRI. Mr. Burandt could not pay Mr. Carson's bills and could not bring a lawsuit to enforce his rights under the 1981 Agreement. *See* Burandt Decl. at ¶ 13.

A.2 Burandt held Equitable Title

Mr. Burandt held a clear reversion intermit as shown in the 1981 Agreement that led to his holding equitable title to the patent.

The 1981 Agreement states that headings are for convenience and not for interpretation and section 13 reads:

> 13. Repurchase Option In the event IRI gives notice that it will no longer provide funds as provided in Paragraph 2, and the project is not substantially completed, Cob shall have the right to acquire from IRI all property rights which IRI has then obtained pursuant to Paragraph 8 hereof at a purchase price equal to the amount of expenses incurred by IRI in connection with the Project including expenses paid or advances made pursuant to Paragraphs 2 and 6 hereof, plus interest from the respective dates of the payment of said expenses and advances in an amount equal to the prime rate on the date said or right of acquisition is exercised by Cob. Such rights shall be exercised by Cob by giving written notice to IRI. Within 15 days thereafter, IRI shall deliver to Cob, against payment, an assignment, without warrants, of all rights IRI may have acquired under Paragraph 2 hereof. At Cob's option, payment may be made in the form of an agreement satisfactory in form to IRI, which shall entitle IRI to the initial revenues upon the use, sale or licensing of the Patents or Improvements, providing IRI with a first

> lien right with respect to the property rights so acquired.

See Burandt Decl. at ¶ 6.

Clearly, the 1981 Agreement gives rise to a reversion right and equitable title to Mr. Burandt when signed and at a minimum equitable title interest in favor of Mr. Burandt exists at least as soon as Mr. Burandt tendered the required lien on March 15, 1989. *See* Burandt Decl. at ¶ 12. The trigger circumstances for the reversion occurred and Mr. Burandt triggered the reversion by providing notice and then the required lien.

A.3 Burandt held a Constructive Trust and Therefore Equitable Title

Minnesota imposes a Constructive Trust on property to prevent unjust enrichment of a person holding property under a duty to convey it. The Minnesota Supreme Court has held: "[A] constructive trust is a judicially created equitable remedy imposed to prevent unjust enrichment of a person holding property under duty to convey it or use it for a specific purpose." When a party obtains legal title to property "through fraud, oppression, duress, undue influence, force, crime, or similar means, or by taking improper advantage of a confidential or fiduciary relationship," the person equitably entitled to the property is entitled to a constructive trust. *Wright v. Wright*, 311 N.W.2d 484, 485 (Minn. 1981) (citations omitted).

Here, IRI caused the title problems that prevented Mr. Burandt from obtaining financing to enforce his repurchase rights. IRI took improper advantage of Mr. Burandt in refusing to honor his repurchase rights and Mr. Burandt was entitled to a constructive trust. Accordingly, Mr. Burandt held equitable title to the '406 patent.

As described herein, Mr. Burandt held equitable title to the patent and it is his conduct that is relevant, not that of IRI. *Futures Technology Ltd. v. Quigg*, 684 F. Supp. 430, 7 USPQ2d 1588 (E.D. Va. 1988). *See also Total Containment Inc. v. Buffalo Environmental Products*, 35 USPQ2d 1385 (E.D. Va. 1995). This case differs from that of *Kim v. Quigg*, 718 F. Supp. 1280, 12 USPQ2d 1604 (E.D. Va. 1989). In *Kim v. Quigg*, the inventors had only an agreement to share in the profits of the invention that did not modify or limit the absolute transfer of title to the University. Here, Mr. Burandt had an absolute reversion right that he exercised. Mr. Burandt held equitable title. Similarly, Mr. Burandt was entitled to a Constructive Trust that operates as a matter of law and that he was entitled to immediately to effect an equitable title.

B. Mr. Burandt's Delay in Paying the Maintenance Fees was Unavoidable

Whether or not a delay is unavoidable is decided on a case-by-case basis, *taking all of the facts and circumstances into account. See Smith v. Mossinghoff*,

217 U.S. App. D.C. 27, 671 F.2d 533, 538 (D.C. Cir. 1982). Decisions on reinstating a lapsed patent are made by applying the "reasonably prudent person" standard. *Ray v. Lehman*, 55 F.3d 606, 608-09 (Fed. Cir. 1995). "The test of whether the delay is unavoidable is applicable to ordinary human affairs, and requires no more or greater care or diligence that is generally used and observed by prudent and careful men in relation to their most important business." *In re Mattullath*, 38 App. D.C. 497 (1912). In *Mattullath*, the court followed Supreme Court precedent held that denial of the petition to revive an application abandoned seven years earlier would work a great hardship, unjustified by petitioner's conduct, upon the penniless widow of a deceased inventor of merit, who died almost at the point of success, leaving the invention as his only property. The Supreme Court, in *Smith v. Goodyear Dental Vulcanite Co.*, 93 U.S. 486, 491 (1877), considered the ill-health and poverty of the inventor in ordering revival of a patent application.

B.1 Mr. Burandt's Medical Condition Made the Delay Unavoidable

The Supreme Court has previously held that the ill health of a patent applicant should be considered in revival petitions. *Smith v. Goodyear Dental Vulcanite Co.*, 93 U.S. 486, 491 (1877).

During 1988-1991, Mr. Burandt became disabled and has had significant health problem that have left

him completely disabled and unable to work since before 1992 through the present. *See* Burandt Decl. at ¶ 14.

Dr. Warner has continuously treated Mr. Corliss O. "Cob" Burandt since 1992. He has diagnosed Mr. Burandt as suffering from a condition having at least one of the following disorders during the time from his first treating Mr. Burandt until the present: Generalized Anxiety Disorder, Histrionic Personality Disorder and Attention-Deficit/Hyperactivity Disorder. *See* Warner Decl. at ¶ 2.

According to Dr. Warner, Mr. Burandt is completely disabled and due to his condition has not been in a condition to hold a job since he began treating him. Dr. Warner believes that Mr. Burandt relies on public assistance due to his condition and has been on public assistance living on a very modest fixed income during the entire time that he has treated him. *See* Warner Decl. at ¶ 3.

It is Dr. Warner's opinion that lack of adequate housing, food and clothing are detrimental to a person's mental health. It is also his opinion that it would not have been reasonable or prudent of Mr. Burandt during the period of treatment to attempt to expend his limited funds in an attempt to revive his patent. *See* Warner Decl. at ¶ 4.

Dr. Warner has discussed aspects of the procedure relating to obtaining a patent application and the petition procedures in the U.S. Patent and Trademark Office ("USPTO") with the undersigned attorney. It is

Dr. Warner's opinion that Mr. Burandt would not have been able to proceed through such processes alone due to his condition. For example, Mr. Burandt would have difficulty concentrating and could not function personally in a working relationship with USPTO employees due to at least pathological anxiety, uncontrollable excessive worry and the lack of excessive reassurance. It is his opinion that Mr. Burandt's condition would significantly impact his ability to proceed in a legal matter. It is also his opinion that any lack of diligence expected of a person in this process is due to Mr. Burandt's condition. *See* Warner Decl. at ¶ 5.

It is Dr. Warner's opinion that Mr. Burandt could provide effective assistance to counsel in proceeding before the USPTO only provided that counsel is patient and able to assist Mr. Burandt in being properly focused on the relevant inquiries and possible courses of action because people suffering from his condition may not be able to alone. *See* Warner Decl. at ¶ 6.

Mr. Burandt has only a high school education and due to his medical condition, could not proceed before the USPTO alone. Accordingly, Mr. Burandt's delay was unavoidable and he proceeded to file this petition as soon as he found a lawyer willing to assist him.

B.2 Mr. Burandt's Financial Condition Excuses Delay in Payment of the Fees

The Supreme Court has previously held that the financial resources of a patent applicant should be considered in revival petitions. *Smith v. Goodyear Dental Vulcanite Co.*, 93 U.S. 486, 491 (1877). *In re Mattullath*, 38 App. D.C. 497 (1912). In Mattullath, the court followed Supreme Court precedent held that denial of the petition to revive an application abandoned seven years earlier would work a great hardship, unjustified by petitioner's conduct, upon the penniless widow of a deceased inventor of merit, who died almost at the point of success, leaving the invention as his only property.

Dr. Warner stated that it is his opinion that lack of adequate housing, food and clothing are detrimental to a person's mental health. Furthermore, he stated that it is his opinion that it would not have been reasonable or prudent of Mr. Burandt during the period of treatment to attempt to expend his limited funds in an attempt to revive his patent. *See* Warner Decl. at ¶ 4.

As described herein, Mr. Burandt could not attract investment because of title problems due to IRI not honoring his repurchase rights. Furthermore, Mr. Burandt made several attempts to find counsel to represent him on a contingent basis. Mr. Burandt is filing this petition just as soon as he found the financial resources to do so.

B.3 IRI's Abuse of Mr. Burandt's Equitable Title Made the Delay Unavoidable

During 1992-2001, Mr. Burandt was unable to force IRI to assign the patent to him under the 1981 Agreement. *See* Burandt Decl. at ¶ 15. During that time, he contacted several people to request additional funding, but none of them would invest in the project while IRI owned the patents. *See* Burandt Decl. at ¶ 16. Mr. Burandt did not intend for the patent to expire and had IRI honored its commitment to assign the patent to him before it expired, he is certain that he would have been able find investors to allow him to pay the maintenance fees timely. *See* Burandt Decl. at ¶ 41.

B.4 Mr. Burandt Reasonably Followed the Field

During 1992-2001, Mr. Burandt was unable to force IRI to assign the patent to him under the 1981 Agreement. *See* Burandt Decl. at ¶ 15. During that time, he contacted several people to request additional funding, but none of them would invest in the project while IRI owned the patents. *See* Burandt Decl. at ¶ 16. During that time, he contacted several journalists to try to attract attention to his project and hopefully additional finding. He had an article published in the January 1993 Chilton automotive industries publication, but it did not attract any interest or funding. *See* Burandt Decl. at ¶ 17.

During that time, Mr. Burandt tried his best to visit the Anoka County public library weekly to

review the U.S. Patent Office Official Gazette to look for other patents referencing his project or its technology to show interest and hopefully attract additional funding to enable him to regain ownership as provided under the 1981 Agreement. Librarian Jim Hendrickson assisted him in his research. Mr. Burandt also read the automobile technology publications including Automotive News, Motor Trend, Popular Mechanics and Popular Science for the same reasons. *See* Burandt Decl. at ¶ 18.

In approximately early December 2001, Mr. Burandt was at the library and read an article regarding the introduction of a variable valve engine by Honda. He contacted the U.S. Patent and Trademark Office to confirm that all was in order with his patents and learned for the first time that IRI had not paid the required maintenance fee and that the patent had lapsed. *See* Burandt Decl. at ¶ 19.

B.5 Mr. Burandt Reasonably Sought Title to the Patent

On December 17, 2001, Mr. Burandt wrote IRI demanding that they assign the patent to him under the 1981 Agreement. After the letter and telephone calls, IRI finally agreed to assign the patent back to him on May 21, 2002. *See* Burandt Decl. at ¶ 20.

B.6 Mr. Burandt Reasonably Sought Assistance From The Legal Community

Mr. Burandt contacted several patent law firms in Minnesota requesting assistance and was unable to find even one to help him due to his financial situation. In early 2002, he contacted Merchant & Gould and they happily offered to take his case and provided him information relating to the petition process. However, a few days later, they wrote again stating that they represent Honda and could no longer take his case. He then unsuccessfully tried to obtain legal representation from other firms. One firm requested not only their normal hourly fee, but also an additional 5% interest in the patent and a $15,000 retainer to proceed.

Mr. Burandt tried to raise funds to proceed, but could not find anyone to invest funds to finance the patent law firms. None of the firms would take his case on a contingent fee basis and all required large retainers that he could not afford. At least one lawyer stated that no inventor has ever been successful in paying maintenance fees that long overdue. Mr. Burandt tried to find a patent lawyer to pursue a maintenance fee petition in his case many times since early 2002 but until now has not been able to do so. *See* Burandt Decl. at ¶ 21.

B.7 Mr. Burandt Reasonably Sought Assistance From His Congressmen

During at least 2002-2005, Mr. Burandt sought assistance from his representatives in Congress on many occasions. *See* Burandt Decl. at ¶ 22. Minnesota U.S. Senator Dayton maintains a website that states: "MY OFFICES: Your best resource for help with federal government agencies." Mr. Burandt sought assistance from his federal representatives.

On April 29, 2002, he wrote Representative Bill Luther requesting help, copying Representative Ramstad and Senators Wellstone and Dayton. *See* Burandt Decl. at ¶ 23. On May 21, 2002 Representative Luther wrote him in response, but was not able to provide assistance. *See* Burandt Decl. at ¶ 24. On January 13, 2003 he wrote Senator Mark Dayton requesting assistance. *See* Burandt Decl. at ¶ 25. On February 22, 2005, he wrote Representative Ramstad regarding a Department of Energy contract. *See* Burandt Decl. at ¶ 26. On March 31, 2005 the Department of energy wrote Representative Ramstad, but he was unable to help him with his patent. *See* Burandt Decl. at ¶ 27.

Petitioner respectfully submits that there is not much more that a reasonably prudent citizen without financial resources could do.

B.8 Mr. Burandt Reasonably Sought Fair Treatment From Industry

During at least 2002-2005, Mr. Burandt contacted automobile manufacturers requesting they fairly treat his invention including Toyota, Delphi, Nissan and Honda. Honda was aware of his earlier patents since at least 1988.

On March 6, 2002, Mr. Burandt wrote Honda using information regarding the revival petition process that he learned from patent firms such as Merchant & Gould when they were still offering to represent him. As described above, Merchant & Gould first offered to represent him, gave him information regarding the petition process and then refused to represent him due to a conflict with Honda. On April 15, 2002, Honda wrote refusing to acknowledge the relevance of the '406 patent. Mr. Burandt then again wrote on May 30, 2002 requesting that Honda fairly consider his contributions. Honda, Merchant & Gould's client, then wrote him on June 5, 2002, stating that they did not believe he could convince the USPTO to revive the patent because the standard imposed by the USPTO was too difficult! Honda also *threatened him* to not publicize his story. *See* Burandt Decl. at ¶ 28.

B.8. Mr. Burandt Reasonably Sought Assistance From The Press

Mr. Burandt frequently tried since before 1994 to raise money to pursue his rights in the patent but

had been unable to do so because of the ownership issues. *See* Burandt Decl. at ¶ 29.

He tried to raise awareness of his patent through the press on many occasions. *See* Burandt Decl. at ¶ 30. During 2002 and 2003, he wrote to 60 Minutes, US News and World Report, Automotive News, Technology Review, Motor Trend, the Wall Street Journal, Wards Auto World, but none would publish his story. *See* Burandt Decl. at ¶ 31. Finally, he was able to interest Harry Goldstein, an author for the IEEE Spectrum, in publishing a story about his case. *See* Burandt Decl. at ¶ 32.

B.9 Mr. Burandt Made Reasonable Efforts to Revive Under the Circumstances

As described herein, Mr. Burandt made very reasonable efforts under the circumstances. Mr. Burandt does not have the financial resources to pay the petition fee or the maintenance fees. He could not pay the fee to file this petition until the undersigned attorney advanced the fees on a contingent basis. He pursued this petition as soon as he obtained the resources to do so. He did all that he could to revive this patent and could not have filed this petition to accept the late payment of maintenance fees any earlier. *See* Burandt Decl. at ¶ 40.

After reading the IEEE article, the undersigned attorney corresponded with Mr. Burandt's friend in May 2005, and stated that the undersigned attorney could not take on the case. After some correspondence

regarding the politics of the maintenance fee law, congressional acts and engine technology, Mr. Brandt again wrote the undersigned attorney in late July 2005. In early August 2005, the undersigned attorney responded and scheduled an initial telephone call. The undersigned attorney accepted the case on a contingent fee basis in the middle of August 2005. *See* Burandt Decl. at ¶ 33-34.

Mr. Burandt has not been able to hold a job since before 1990 and was on General Assistance since approximately 1990 and then was placed on Federal Supplemental Security Income assistance effective January 1995. *See* Burandt Decl. at ¶ 35.

Around late August 2005, Mr. Burandt signed a waiver permitting Dr. Warner to discuss his condition with the undersigned attorney and to prepare a declaration for use in this petition. Furthermore, he consents to the undersigned attorney publicly filing the declaration and related information in support of the petition. *See* Burandt Decl. at ¶ 36.

Since the middle of August 2005, Mr. Burandt has spoken with the undersigned attorney on several occasions to provide information for this petition. *See* Burandt Decl. at ¶ 37.

C. Principles of Fairness and Justice Require Acceptance of the Fees

Petitioner has detailed excusable delay in payment of the fees herein. Furthermore, principles of

fairness and justice must be considered and dictate that the fees be accepted.

C.1 Likely Infringers Have Contributed to the Delay and Taunted the Inventor

Mr. Burandt contacted automobile manufacturers requesting they fairly treat his invention including Toyota, Delphi, Nissan and Honda. He wrote Honda using information regarding the revival petition process that he learned from patent firms such as Merchant & Gould. As described above, Merchant & Gould first offered to represent him, gave him information regarding the petition process and then refused to represent him due to a conflict with Honda. Honda, Merchant & Gould's client, then wrote him stating that they did not believe he could convince the USPTO to revive the patent because the standard imposed by the USPTO was too difficult! Honda also *threatened him* to not publicize my story. *See* Burandt Decl. at ¶ 28.

Mr. Burandt has done all that he could under his circumstances to revive this patent. He is a prolific technical inventor despite having only a high school education and was victimized by a former development partner who refused to honor his reversion rights. A large foreign corporation has even threatened him to dissuade his publicizing his story. Mr. Burandt deserves every possible accommodation.

D. Conclusion

Mr. Burandt has authorized me to state that he could not pay the fees enclosed and that I have advanced the enclosed fees on a contingent basis and that the work in preparing and filing this petition has been done on solely a contingent basis with no hourly fee collected in return for only a fee of 5% of any future royalty if successful.

Mr. Burandt and the undersigned attorney began negotiating representation in this matter on or about August 3, 2005 and entered a representation agreement on August 15, 2005. Mr. Burandt and the undersigned attorney have worked diligently toward filing this petition as soon as possible.

In the event that an extension of time is required to make this response timely, the Commissioner is requested to grant a petition for such required extension required to make this response timely. The Commissioner is hereby authorized to charge any fee for such extension to Deposit Account # 50-3625, Order No. 1004/00003.

Petitioner respectfully submits that fairness and justice require that this petition be granted. Accordingly, Petitioner requests that the delayed payment of

the maintenance fee be accepted and that the patent be reinstated.

Respectfully Submitted,

/s/ George Macdonald Dated: 10/9/05

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Telephone: (203) 550-8219

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re patent application of:	) Attorney Docket
Corliss O. Burandt	) No.:1004/00003
	) Customer No.: 28084
Serial No.: 07/178,487	)
Filed: April 7, 1998	) Examiner: TED
Patent No.: 4,961,406	) GAU: 3402
Issued: October 9, 1990	)
Confirmation No.: 6194	)
	)

Title: METHOD AND DEVICE FOR OPTIMIZING THE AIR-FUEL MIXTURE BURN RATE OF INTERNAL COMBUSTION ENGINES DURING LOW SPEED, LIGHT AND HEAVY LOAD OPERATING CONDITIONS

Declaration of Dr. Paul Warner

1. My name is Paul Warner. I am a licensed Medial Doctor and practicing Psychiatrist in the state of Minnesota. I completed my residency in Psychiatry at Minneapolis VA Hospital and have continuously practiced Psychiatry for the last forty one (41) years. I currently maintain a medical practice at Nystrom and Associates, 7300 147 St., West Apple Valley, Minnesota 55124.

2. I have continuously treated Mr. Corliss O. "Cob" Burandt since 1992. I have diagnosed Mr. Burandt as suffering from a condition having at least one of the following disorders during the time from my fist treating Mr. Burandt until the present: Generalized

Anxiety Disorder, Histrionic Personality Disorder and Attention-Deficit/Hyperactivity Disorder.

3. Mr. Burandt is completely disabled and due to his condition has not been in a condition to hold a job since before I began treating him. Upon information and belief, Mr. Burandt relies on public assistance due to his condition and has been on public assistance living on a very modest fixed income during the entire time that I have treated him.

4. It is my opinion that lack of adequate housing, food and clothing are detrimental to a person's mental health. It is my opinion that it would not have been reasonable or prudent of Mr. Burandt during the period of treatment to attempt to expend his limited funds in an attempt to revive his patent.

5. I have discussed aspects of the procedure relating to obtaining a patent application and the petition procedures in the U.S. Patent and Trademark Office ("USPTO") with Mr. George M. Macdonald, Esq. It is my opinion that Mr. Burandt would not be able to proceed through such processes alone due to his condition. For example, Mr. Burandt would have difficulty concentrating and could not function personally in a working relationship with USPTO employees due to at least pathological anxiety, uncontrollable excessive worry and the lack of excessive reassurance. It is my opinion that Mr. Burandt's condition would significantly impact his ability to proceed in a legal matter. It is my opinion that my

lack of diligence expected of a person in this process is due to his condition.

6. It is my opinion that Mr. Burandt could provide effective assistance to counsel in proceeding before the USPTO only provided that counsel is patient and able to assist Mr. Burandt in being properly focused on the relevant inquiries and possible courses of action because people suffering from his condition may not be able to alone.

7. Mr. Burandt has requested and consented to my providing this Declaration and it is my opinion that submitting this Declaration in support of Mr. Burandt's petition with regard to his patent will not further jeopardize Mr. Burandt's health or future treatment.

8. All statements herein made upon my personal knowledge are true and all other statements herein made on information and belief are believed to be true. I understand that willful false statements and the like are punishable by fine or imprisonment, or both (18 U.S.C. 10001) and may jeopardize the validity of the application or my patent issuing thereof.

Signed

/s/ Paul L. Warner MD
Dr. Paul Warner

Date 9/22/05

U.S. Patent No. 4,961,406
Attorney Docket No.: 1004/00003

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re patent application of: Corliss O. Burandt	Attorney Docket No.: 1004/00003
Serial No.: 07/178,487	Customer No.: 28084
Filed: April 7, 1998	Examiner: TBD
Patent No.: 4,961,406	GAU: 3402
Issued: October 9, 1990	
Confirmation No.: 6194	

Title: METHOD AND DEVICE FOR OPTIMIZING THE AIR-FUEL MIXTURE BURN RATE OF INTERNAL COMBUSTION ENGINES DURING LOW SPEED, LIGHT AND HEAVY LOAD OPERATING CONDITIONS

Declaration of Mr. Corliss O. Burandt

(October 13, 2005)

1. My name is Corliss O. "Cob" Burandt. I reside at 5665 Lynwood Blvd. #205, Mound, MN 55364.

2. I am the sole inventor of the above referenced U.S. patent. I am also the inventor of approximately 11 other earlier filed U.S. patents relating to engines.

3. My formal education ended with a high school diploma in 1965 from Hopkins High School in Hopkins, Minnesota. I learned about automotive engine operation and design through reading at public libraries and working with engines.

4. I met James R. Cook, the president of Investment Rarities Incorporated (IRI), in the late 1970s and wrote some articles for magazines published by a subsidiary of IRI.

5. Mr. Cook was in the precious metals business and I understand that due to gas shortages and other economic conditions, he was interested in fuel efficient and alternative fuel automotive design. In September 1980, I began working with financial support from Mr. Cook on an engine design project.

6. On August 4, 1981, I signed an agreement with IRI to formalize the relationship. *See Exhibit 1.* I was told that Mr. Frommelt, an IRI lawyer, prepared the contract. I was not represented by a lawyer and trusted Mr. Cook.

7. During the 1980's, I worked with IRI on engine designs. Several patent applications were filed and assigned to IRI. During that time, both Mr. Cook and I contacted automobile vendors in attempts to find interest and investment. During this time IRI contracted with all three major U.S. automobile manufacturers. We designed and built five prototype engines based upon some of the earlier patents for one manufacturer and one prototype each for the other two major U.S. automobile manufacturers.

8. During 1987, IRI substantially stopped funding the project and my financial situation was very severely negatively impacted. My relationship with Mr. Cook deteriorated and I primarily dealt with IRI through other employees.

9. During 1988-1991, IRI continued paying maintenance fees for the issued patents and at least partially funded the preparation and filing of the above referenced patent using a new patent attorney.

10. During that time, I frequently spoke by telephone with IRI employees, including Mr. Tom Stock, to urge financial support for the project. I also continued to seek interested customers for the project.

11. I notified IRI at least as early as June 29, 1988 that I was exercising my repurchase rights under the 1981 agreement. *See Exhibit 2.* IRI refused. I again wrote IRI on January 19, 1989 in an attempt to resolve the dispute. *See Exhibit 3.* On February 1, 1989 IRI's lawyers responded denying my repurchase rights but still clearly desiring to benefit from my inventions. *See Exhibit 4.* IRI had previously written to Volkswagen in an attempt to benefit from my inventions. *See Exhibit 5.*

12. On February 14, 1989, IRI's attorney again wrote rejecting my proposal to resolve this dispute. *See Exhibit 6.* On March 15, 1989, I again wrote IRI exercising my repurchase rights and providing the lien that IRI complained had not been provided. *See Exhibit 7.* On the same day, I wrote IRI's attorney in response to his February 1, 1989 letter. *See Exhibit 8.*

13. I learned that IRI had abandoned three of the earlier filed patents. I wrote them on March 29, 1989 to protest and to again request that IRI honor my repurchase rights. *See Exhibit 9.* IRI

had agreed to pay the fees for the application of the '406 patent. I then learned from IRI's patent attorney that his bill for the application of the '406 had not been paid. I wrote IRI on June 27, 1989 to insist that they honor my repurchase rights. See *Exhibit 10*. I then found what little financial support that I could to hire attorney Jeffrey Carson to enforce my repurchase rights. He wrote IRI on August 18, 1989. See *Exhibit 11*. IRI refused. I wrote IRI again on September 27, 1989 in another unsuccessful attempt to convince IRI to honor my repurchase rights. See *Exhibit 12*. I wrote IRI again on October 14, 1989 in yet another unsuccessful attempt to convince IRI to honor my repurchase rights. *See Exhibit 13*. Mr. Carson again wrote IRI on January 19, 1990 requesting that IRI honor the repurchase rights. *See Exhibit 14*. IRI refused. IRI did agree to cooperate in marketing whatever was left to market in the portfolio that would have required payment of the maintenance fees. *See Exhibit 15* (that attached a copy of Exhibit 1 as Exhibit A). I was not able to pursue court action to regain title to the patents because I could not obtain additional funding due to the title problems. I could not pay Mr. Carson's bills and could not bring a lawsuit to enforce my rights under the 1981 agreement.

14. During that difficult time, I became disabled and have had significant health problems that have left me completely disabled and unable to work since before 1992 through the present.

15. During 1992-2001, I was unable to force IRI to assign the patent to me under the 1981 contract.

16. During that time, I contacted several people to request additional funding, but none of them would invest in the project while IRI owned the patents.

17. During that time, I contacted several journalists to try to attract attention to my project and hopefully additional funding. I had an article published in the January 1993 Chilton automotive industries publication, but it did not attract any interest or funding.

18. During that time, I tried my best to visit the Anoka County public library weekly to review the U.S. Patent Office Official Gazette to look for other patents referencing my project or its technology to show interest and hopefully attract additional funding to enable me to regain ownership as provided under the 1981 agreement. Librarian Jim Hendrickson assisted me in my research and was very kind in providing his time. I also read the automobile technology publications including Automotive News, Motor Trend, Popular Mechanics and Popular Science for the same reasons.

19. In approximately early December 2001, I was at the library and read an article regarding the introduction of a variable valve engine by Honda. I contacted the U.S. Patent and Trademark Office to confirm that I was in order with my patents and learned for the first time that IRI had not paid the required maintenance fee and that the patent had lapsed.

20. Soon after, on December 17, 2001, I wrote IRI demanding that they assign the patent to me under the 1981 agreement. *See Exhibit 16.* After the letter and telephone calls, IRI finally agreed to assign the patent back to me on May 21, 2002. *See Exhibit 17.*

21. I contacted several patent law firms in Minnesota requesting assistance and was unable to find even one to help me due to my financial situation. In early 2002, I contacted Merchant & Gould and they wrote me on February 4, 2002. *See Exhibit 18.* On February 5, 2002, Merchant & Gould and they wrote me on February 4, 2002. *See Exhibit 18.* On February 5, 2002, Merchant & Gould happily offered to take my case and provided me information relating to the petition process. *See Exhibit 19.* However, on February 8, 2002, they wrote again stating that they represent Honda and could no longer take my case. *See Exhibit 20.* I then unsuccessfully tried to obtain legal representation. One firm requested not only their normal hourly fee, but also an additional 5% interest in the patent and a $15,000 retainer to proceed. *See Exhibit 21.* I tried to raise funds to proceed, but I could not find anyone to invest funds to finance the patent law firms. None would take my case on a contingent fee basis and all required large retainers that I could not afford. At least one lawyer stated that no investor has ever been successful in paying maintenance fees that long overdue. I have tried to find a patent lawyer to pursue a maintenance fee petition in my case many times since early 2002 but until now have not been able to do so.

22. I contacted my representatives in Congress on many occasions seeking their assistance.

23. On April 29, 2002, I wrote Representative Bill Luther requesting help, copying Representative Ramstad and Senators Wellstone and Dayton. *See Exhibit 22.*

24. On May 21, 2002 Representative Luther wrote me in response, but was not able to provide assistance. *See Exhibit 23.*

25. On January 13, 2003 I wrote Senator Mark Dayton requesting assistance. *See Exhibit 24.*

26. On February 22, 2005, I wrote Representative Ramstad regarding a Department of Energy contract. *See Exhibit 25.*

27. On March 31, 2005 the Department of energy wrote Representative Ramstad, but was unable to help me with my patent. *See Exhibit 26.*

28. During that time, I contacted automobile manufacturers requesting they fairly treat my invention including Toyota, Delphi, Nissan and Honda. Honda was aware of my earlier patents since at least 1988. *See Exhibit 27.* On March 6, 2002, I wrote Honda using information regarding the revival petition process that I learned from patent firms such as Merchant & Gould when they were still offering to represent me. *See Exhibit 28.* As described above, Merchant & Gould first offered to represent me, gave me information regarding the petition process and then refused to represent me due to a conflict with Honda. On April 15, 2002, Honda wrote refusing to acknowledge the relevance of the '406 patent. *See Exhibit 29.* I

again wrote on May 30, 2002 requesting that Honda fairly consider my contributions. *See Exhibit 30.* Honda, Merchant & Gould's client, then wrote me on June 5, 2002, stated that they did not believe I could convince the USPTO to revive the patent because the standard imposed by the USPTO was too difficult! Honda also *threatened me* to not publicize my story. *See Exhibit 31.*

29. I have frequently tried since before 1994 to raise money to pursue my rights in the patent but have been unable to do so because of the title issues regarding the patent.

30. I tried to raise awareness of my patent through the press on many occasions.

31. During 2002 and 2003, I wrote to 60 Minutes, US News and World Report, Automotive News, Technology Review, Motor Trent, the Wall Street Journal, Wands Auto World, but none would publish my story.

32. Finally, I was able to interest Harry Goldstein, an author of the IEEE Spectrum, in publishing a story about my case. *See Exhibit 32.*

33. After reading the IEEE article, Mr. Macdonald, a patent attorney, corresponded with my friend in May 2005, and stated that he felt terrible about my situation but could not take on my case. We then corresponded about the politics of the maintenance fee law, congressional acts and engine technology in May 2005.

34. In late July 2005, I decided to write Mr. Macdonald again hoping to interest him in my case. In early August 2005, Mr. Macdonald responded

and we scheduled a telephone call. We first spoke in early August 2005 and Mr. Macdonald agreed to take my case on a contingent fee basis in the middle of August 2005.

35. I have not been able to hold a job since before 1990 and was on General Assistance since approximately 1990 and then was placed on Federal Supplemental Security Income assistance effective January 1995.

36. Around late August 2005, I signed a waiver permitting Dr. Warner to discuss my condition with Mr. Macdonald and to prepare a declaration for use in this petition. Furthermore, I consent to Mr. Macdonald publicly filing the declaration and related information in support of the petition.

37. Since the middle of August 2005, I have spoken with Mr. Macdonald on several occasions to provide information for this petition.

38. I did not receive the May 17, 1994 Maintenance Fee Reminder.

39. I did not receive the October 24, 1994 Notice of Patent Expiration.

40. I do not have the financial resources to pay the petition fee or the maintenance fee. I could not pay the fee to file this petition until my lawyer advanced the fees on a contingent basis. I pursued this petition as soon as I obtained the resources to do so. I did all that I could to revive this patent and could not have filed this petition to accept the late payments of maintenance fees any earlier.

41. I did not intend for the patent to expire and had IRI honored its commitment to assign the patent to me before it expired, I am certain that I would have been able find investors to allow me to pay the maintenance fees timely.

42. All statements herein made upon my personal knowledge are true and all other statements herein made on information and belief are believed to be true. I understand that willful false statements and the like are punishable by fine or imprisonment, or both (18 U.S.C. 1001) and may jeopardize the validity of the application or any patent issuing thereof.

Signed

/s/ Corliss O. Burandt
Mr. Corliss O. "Cob" Burandt

Date October 9, 2005

EXHIBIT A

AGREEMENT

This Agreement is entered into this 4th day of August, 1981, between Investment Rarities Incorporated, a Minnesota corporation (hereinafter referred to as "IRI"), and Cob Burandt, a resident of Hennepin County, Minnesota (hereinafter referred to as "Cob").

Whereas, Cob is engaged in activities relating to the design and development of improvements relating to the efficiency of internal combustion engines; and

Whereas, IRI has provided substantial funds to Cob in connection with such activities and intends to provide further funds;

Now, therefore, in consideration of the premises and the mutual covenants herein, the parties hereto agree as follows:

1. *Definitions* For the purposes of this Agreement the following definitions shall apply.

a. "Project" shall mean all activities related to the research, design and development, and the construction of working models and prototypes, intended to result, or which do result, in improvements relating to the efficiency of internal combustion engines, and to the application for and obtaining of patent rights with regard to such improvements.

b. "R & D Expenses" shall include the following expenses incurred directly in connection with the Project:

(i) the procurement and rental of tools and materials necessary to construct working models and prototypes;

(ii) patent attorney fees and expenses relating to the preparation and filing of any patient applications;

(iii) reasonable and necessary travel expenses;

(iv) rental expense for space reasonably necessary; provided that all rental arrangements or agreement for space shall be subject to the prior approval of IRI;

(v) necessary utilities; and

(vi) necessary publications.

c. "Patents or Improvements" shall mean all patents, improvements, or other information or discoveries which arise out of the Project, and shall include patents, improvements, or other information or discoveries which are not the subject of the Project, but only so long as R & D Expenses have been wholly or partially expended in obtaining or making such patents, improvements, or other information or discoveries.

d. "Net Profits" shall mean the profits received upon the sale or licensing, of the Patents or Improvements, after deduction of all expenses allowable for federal income tax purposes,

including reasonable and necessary allocations to general and administrative overhead, associated with the Project and the marketing of the Patents or Improvements.

e. "IRI", for the purpose of this Agreement, shall mean, in addition to IRI, any subsidiary of IRI.

f. "Marketing or Market" shall mean all activities related to the promotion, or the sale or licensing of the Patents and Improvements.

2. *Expenses* IRI will pay directly, or will reimburse Cob, for all R & D Expenses upon receipt of invoices or other written evidence of such expenditures; provided that IRI shall not be liable for R & D Expenses (i) which are incurred or submitted for payment in a manner which is contrary to or in violation of this Agreement, or (ii) which are submitted for payment after thirty days from, or which are incurred subsequent to, the date IRI notifies Cob that IRI will no longer be liable for such R & D Expenses.

3. *Evidence of Expenses* Cob will submit copies of all invoices for payment and requests for reimbursement to IRI within fifteen days following the end of the calendar month during which such invoice is received or the payment of the indebtedness giving rise to any requested reimbursement is made. All requests for reimbursement will be accompanied by invoices or other appropriate evidences of R & D Expenses incurred by Cob, and a written schedule thereof, satisfactory in form and substance to IRI.

4. *Limitation and Expenses* Cob shall not incur R & D Expenses in excess of $5,000 during any calendar month without the express written consent of IRI.

5. *Conduct of Business* Cob will conduct his activities relating to the Project in an ethical and business-like manner, and will pay all R & D Expenses for which he intends to seek reimbursement within fifteen days following receipt of an invoice therefor; provided that upon notice of IRI, Cob may withhold payment of any invoice for legitimate business purposes.

6. *Advances* At its option IRI may, at the request of Cob, advance sums of money to Cob to be applied against R & D Expenses, subject to the reporting requirements of Paragraph 3 hereof.

7. *Obligations of Cob* Cob shall use his best efforts to apply his skill and knowledge to the Project. The use of best efforts by cob shall not prevent Cob from engaging in other activities on a part time or full time basis, provided that such activities do not materially interfere with the obligations of Cob under this Agreement.

8. *Property* All tools, materials, working model prototypes, developments, inventions, patent applications and patents, and all other property (including intangible property rights) acquired by R & D Expenses or arising as a result of the Project shall be the property of IRI. Cob shall take such action and execute such documents from time to time as may be

requested by IRI to deliver or assign such property, as to cause title to such property to be vested in IRI, free and clear of all liens or encumbrances.

9. *Compensation* IRI shall be entitled to 72% of the "Net Profits" resulting from the sale or license of any Patents or Improvements, and Cob shall be entitled to the remaining 28% of the Net Profits.

10. *Obligations of IRI* At such time as Cob informs IRI that he has substantially completed the Project; IRI will use its best efforts to Market the Patents or Improvements, or any intent therein, and except as provided in Paragraph 11 of this Agreement, shall at all times have the exclusive right to Market the Patents or Improvements.

11. *Exclusive Marketing* In the event IRI gives notice that it will no longer provide funds as provided in Paragraph 2, IRI shall have the exclusive right to Market any Patents or Improvements for a period of one year thereafter, or for such longer period as may be required by IRI so long as IRI has entered into a bona-fide agreement to license or sell the Patents or Improvements, or any interest therein, and is using its best efforts to Market the Patients or Improvements, or interest therein, not previously sold or licensed.

12. *Non-exclusive Marketing* At such time as IRI no longer has the exclusive right to Market the Patents or Improvements, and upon thirty days notice from Cob to IRI, such right shall become non-exclusive, and Cob shall have the right to Market the

Patents or Improvements on behalf of and as agent for IRI. Except as provided in the preceding sentence, Cob shall not engage in any Marketing activities, except with the express written approval of IRI.

13. *Repurchase Option* In the event IRI gives notice that it will no longer provide funds as provided in Paragraph 2, and the Project is not substantially completed. Cob shall have the right to acquire from IRI all property rights which IRI has then obtained pursuant to Paragraph [illegible] hereof, at a purchase price equal to the amount of expenses incurred by IRI in connection with the Project including expenses paid or advances made pursuant to Paragraphs 2 and 5 hereof, plus interest from the respective dates of the payment of said expenses and advances in an amount equal to the prime rate on the date said or right of acquisition is exercised by Cob. Such acquisition rights shall be exercised by Cob by giving written notice to IRI. Within 15 days thereafter, IRI shall deliver to Cob, against payment, an assignment, without warrants, of all rights IRI may have acquired under Paragraph 3 hereof. At Cob's option, payment may be made in the form of an agreement satisfactory in form to IRI, which shall entitle IRI to the initial revenues received upon the use, sale or licensing of the Patents or Improvements, providing IRI with a first lien right with respect to the property rights so acquired.

14. *Other Assistance* Cob shall be entitled to assign XXXXXXXX [43%] of his interest in the Net Profits to Lyle Haley, a resident of Hennepin County,

Minnesota; provided that no other such assignment may be made by Cob without the express written permission of IRI. IRI shall be required to acknowledge only such assignments of which it has proper notice.

15. *Independent Contractors* Cob and IRI are independent contractors, and neither shall act in such a manner as to cause the relationship established by this Agreement to be, or appear to be, anything but that of independent contractors. Each party hereto will take all reasonable steps requested by the other party to insure that the status of each as an independent contractor is maintained.

16. *Headings* The headings set forth herein are for convenience only and shall not be used in interpreting the text of the paragraph in which they appear.

17. *Notices* Any notice or other communication required, permitted or desirable hereunder, shall be sufficiently given if sent by United States mial, postage prepaid, addressed as follows:

To IRI: Investment Rarities Incorporated
One Appletree Square
Bloomington, MN 55420

With a copy to: Roger H. Frommelt
Frommelt, Eide & Relte, Ltd.
2200 First Bank Place West
Minneapolis, MN 55402

To Cob: Cob Burandt, and also
Lyle Haley
4710 58th Ave N.
Crystal, Mn. 55429

or such other address as shall be furnished in writing by the parties. Any such notice or communication shall be deemed to have been given as of the date so mailed.

18. *Successors and Assigns* This Agreement shall be binding upon and inure to the benefit of the successors and assigns of IRI and Cob.

19. *Entire Agreement* This Agreement sets forth the entire understanding of the parties. It may only be amended, modified or terminated by instrument signed by the parties hereto.

Investment Rarities Incorporated

By /s/ James [Illegible]

/s/ Cob Burandt
Cob Burandt

/s/ Lyle Haley
Lyle Haley

BURANDT EXHIBIT 2

Mr. James Cook
Investment Rarities Inc.
1 Appletree Square
Bloomington, MN

June 29, 1988

Dear Mr. Cook:

Please accept this letter as written notice of my intent to act on my repurchase rights as of July 1, 1988, as provided in paragraph 13 of the contract between IRI and myself pertaining to the Cob Camshaft engine project.

Sincerely,

/s/ Cob Burandt
Cob Burandt

/s/ William J. Weigel

[SEAL] WILLIAM J. WEIGEL
NOTARY PUBLIC – MINNESOTA
HENNEPIN COUNTY
My Commission Expires Aug. 11, 1991

[SEAL]

UNITED STATES PATENT AND TRADEMARK OFFICE

[Address Omitted In Printing]

Paper No. 20

GEORGE M. MACDONALD, ESQ.
62 HOYT STREET
NEW CANAAN CT 06840

In re Patent No. 4,961,406	:	
Issued: 9 October, 1990	:	DECISION ON
Application No. 07/178,467	:	PETITION
Filed: 7 April, 1988	:	
Atty Docket No. 1004/00003.	:	

This is a decision on the petition under 37 CFR 1.378(b),[1] filed on 2 September; 2005 (certificate of facsimile transmission date 11 January, 2005), to

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[1] A grantable petition to accept a delayed maintenance fee payment under 37 CFR 1.378(b) must be include

(1) the required maintenance fee set forth in § 1.20(e) through (g);

(2) the surcharge set forth in §1.20(I)(1); and

(3) a showing that the delay was unavoidable since reasonable care was taken to ensure that the maintenance fee would be paid timely and that the petition was filed promptly after the patentee was notified of, or otherwise became aware of, the expiration of the patent. The showing must enumerate the steps taken to ensure timely payment of the maintenance fee, the date and the manner in which patentee became aware of the expiration of the patent, and the steps taken to file the petition promptly.

accept the delayed payment of the maintenance fee for the above-identified patent.

The petition is *dismissed*.

If reconsideration of this decision is desired, a petition for reconsideration under 37 CFR 1.378(e) must be filed within TWO (2) MONTHS from the mail date of this decision. No extension of this 2-month time limit can be granted under 37 CFR 1.136(a) or (b). Any such petition for reconsideration must be accompanied by the petition fee of $400.00 as set forth in 37 CFR 1.17(f). The petition for reconsideration should include an exhaustive attempt to provide the lacking item(s) noted below, since, after a decision on the petition for reconsideration, no further reconsideration or review of the matter will be undertaken by the Commissioner.

The patent issued on 9 October, 1990. The first maintenance fee could have been paid during the period from 12 October, 1993 through 11 April, 1994, or, with a surcharge, during the period from 12 April through 9 October, 1994. The patent expired at midnight on 9 October, 1994, for failure to timely pay the first maintenance fee.

Petitioner states that at the time the first maintenance fee was due, responsibility for payment of the maintenance fee was with then-assignee Investment Rarities, Inc. (hereinafter "IRI"). On 21 May, 2002, IRI assigned the patent back to the inventor, petitioner Corliss O. Burandt (hereinafter "Burandt"). In his declaration, petitioner Burandt states that he

learned after 17 December, 2001, that the patent had expired.[2]

The Commissioner may accept late payment of the maintenance fee if the delay is shown to the satisfaction of the Commissioner to have been "unavoidable".[3] A patent owner's failure to pay a maintenance fee may be considered to have been "unavoidable" if the patent owner "exercised the due care of a reasonably prudent person."[4] This determination is to be made on a "case-by-case basis, taking all the facts and circumstances into account."[5] Unavoidable delay under 35 U.S.C. § 41(b) is measured by the same standard as that for reviving an abandoned application under 35 U.S.C. § 133.[6] Under 35 U.S.C. § 133, the Commissioner may revive an abandoned application if the delay in responding to the relevant outstanding Office requirement is shown to the satisfaction of the Commissioner to have been "unavoidable". Decisions on reviving abandoned applications have adopted the reasonably prudent person standard in determining if the delay was unavoidable.[7] However, a petition to

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[2] Burandt declaration, Page 4, Paragraph 19.

[3] 35 U.S.C. § 41(c)(1).

[4] *Ray v. Lehman*, 55 F.3d 606, 608-09 (Fed.Cir.), *cert. denied*, ___ U.S. ___, 116 S.Ct. 304, L.Ed.2d 209 (1995).

[5] *Smith v. Mossinghoff*, 671 F.3d 533, 538, 213 USPQ 977, 982 (D.C. Cir. 1982).

[6] *In re Patent No. 4,409,763*, 7 USPQ2d 1798, 1800 (PTO Comm'r 1988).

[7] *Ex parte Pratt*, 1887 Dec. Comm'r Pat. 31, 32-33 (Comm'r Pat. 1887) (the term "unavoidable" "is applicable to ordinary

(Continued on following page)

revive an application as unavoidably abandoned cannot be granted where a petitioner has failed to meet his or her burden of establishing the cause of the unavoidable delay.[8] In view of *In re Patent No. 4,409,763*,[9] this same standard will be applied to determine whether "unavoidable" delay within the meaning of 37 CFR 1.378(b) occurred.

This petition does not satisfy the requirement of 37 CFR 1.378(b)(3). The statements presented in the petition fail to satisfy the showing required to establish unavoidable delay within the meaning of 37 CFR 1.378(b).

There are three periods to be considered during the evaluation of a petition under 37 CFR 1.378(b):

(1) The delay in reply that originally resulted in expiration;

(2) The delay in filing an initial petition pursuant to § 1.378(b) to revive the application; and

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human affairs, and requires no more or greater care or diligence than is generally used and observed by prudent and careful men in relation to their most important business"); *In re Mattullath*, 38 App. D.C. 497, 514-15 (D.C. Cir. 1912); *Ex parte Henrich*, 1913 Dec. Comm'r Pat. 139, 141 (Comm'r Pat. 1913).

[8] *Haines v. Quigg*, 673 F. Supp. 314, 5 USPQ2d 1130 (N.D. Ind. 1987).

[9] 7 USPQ2d 1798, 1800 (Comm'r Pat. 1988), *aff'd sub nom.* Rydeen v. Quigg, 748 937 F.2d 623 (Fed. Cir. 1991) (table), *cert. denied*, 502 U.S. 1075 (1992).

(3) The delay in filing a grantable petition pursuant to § 1.378(b) to revive the application.[10]

With regard to period (1), petitioner's showing of evidence has been considered, but is not persuasive. Petitioner Burandt states that IRI owned the patent at the time the first maintenance fee was due, and that IRI failed to pay the maintenance fee.

Petitioner Burandt, as successor in title to assignee IRI, is the patentee (35 USC 100(d)), and asserts, in essence, that the delay in payment of the maintenance fee is unavoidable in that Burandt relied upon IRI to docket and pay the maintenance fee.

Petitioner has not carried the burden of proof to establish to the satisfaction of the Commissioner that the delay in payment of the second maintenance fee was unavoidable.

35 U.S.C. § 41(c)(1) does not require an affirmative finding that the delay was avoidable, but only an explanation as to why the petitioner has failed to carry his or her burden to establish that the delay was unavoidable.[11] 35 U.S.C. § 133 does not require the Commissioner to affirmatively find that the delay was avoidable, but only to explain why the applicant's petition was unavailing). Petitioner is reminded that

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[10] *See Changes to Patent Practice and Procedure; Final Rule Notice*, 62 Fed. Reg. 53131 at 53158 (October 10, 1997).

[11] *See Commissariat A. L'Energie Atomique v. Watson*, 274 F.2d 594, 597, 124 USPQ 126, 128 (D.C. Cir. 1960).

it is the patentee's burden under the statutes and regulations to make a showing to the satisfaction of the Commissioner that the delay in payment of a maintenance fee is unavoidable.[12]

As 35 USC § 41(b) requires the payment of fees at specified intervals to maintain a patent in force, rather than some response to a specific action by the office under 35 USC § 133, a reasonably prudent person in the exercise of due care and diligence would have taken steps to ensure the timely payment of such maintenance fees.[13] That is, an adequate showing that the delay in payment of the maintenance fee at issue was "unavoidable" within the meaning of 35 U.S.C. § 41(c) and 37 CFR 1.378(b)(3) requires a showing of the steps taken by the responsible party to ensure the timely payment of the second maintenance fee for this patent.[14]

As the patent holder at the time of expiration, it was incumbent on IRI to have itself docketed this patent for payment of the maintenance fee in a reliable system as would be employed by a prudent and careful person with respect to his most important business, or to have engaged another for that

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[12] *See Rydeen v. Quigg*, 748 F. Supp. 900, 16 USPQ2d 1876 (D.D.C. 1990), aff'd 937 F.2d 623 (Fed. Cir. 1991) (table), *cert. denied*, 502 U.S. 1075 (1992); *Ray v. Lehman*, *supra*.

[13] *Ray*, 55 F.3d at 609, 34 USPQ2d at 1788.

[14] *Id.*

purpose.[15] Even where another has been relied upon to pay the maintenance fees, such asserted reliance *per se* does not provide a petitioner with a showing of unavoidable delay within the meaning of 37 CFR § 1.378(b) and 35 USC § 41(c).[16] Rather, such reliance merely shifts the focus of the inquiry from the petitioner to whether the obligated party acted reasonably and prudently.[17] Nevertheless, a petitioner is bound by any errors that may have been committed by the obligated party.[18]

Assuming, *arguendo*, that the delay is due in whole or in part to a clerical error, then as noted in MPEP 711.03(c) §(III)(2), a delay resulting from an error (e.g., a docketing error) on the part of an employee in the performance of a clerical function may provide the basis for showing of "unavoidable" delay, provided it is shown that:

(A) the error was the cause of the delay at issue;

(B) there was in place a business 'routine for performing the clerical' function that could reasonably be relied upon to avoid errors in its performance; and

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[15] *See California Medical Products v. Technol Med. Prod.*, 921 F.Supp. 1219, 1259 (D.Del. 1995).

[16] *Id.*

[17] *Id.*

[18] *Id.*

(C) the employee was sufficiently trained and experienced with regard to the function and routine for its performance that reliance upon such employee represented the exercise of due care.[19]

However, the record fails to show that adequate steps within the meaning of 37 CFR 1.378(b)(3) were taken by or on behalf of IRI to schedule or pay the maintenance fee. Petitioner is reminded that 37 CFR 1.318(1)(3) is a validly promulgated regulation, as is the requirement therein for IRI's showing of the steps taken to pay the fee.[20] In the absence of a showing of the steps taken by or on behalf of IRI, 37 CFR 1.378(b)(3) precludes acceptance of the maintenance fee.

In the absence of adequate evidence showing that IRI, had transferred its obligation to Burandt at the time the first maintenance fee was due in 1994, then IRI must show the steps it had in place to track the fee payment for this patent. Assuming that Burandt can show that IRI had been obligated, then IRI must show why it was "unavoidably" prevented from discharging its obligation to Burandt. Petitioner is reminded that the United States Patent and Trademark Office must rely on the actions or inactions of

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[19] *See In re Egbers*, 6 USPQ2d 1869, 1872 (Comm'r Pat. 1988), *rev'd on other grounds sub nom., Theodor Groz & Sohne & Ernst Bechert Nadelfabrik KG v. Quigg*, 10 USPQ2d 1787 (D.D.C. 1988); *In re Katrapat*, 6 USPQ2d 1863, 1867-68 (Comm'r Pat. 1988).

[20] *Ray*, 55 F.3d at 609, 34 USPQ2d at 1788.

duly authorized and voluntarily chosen representatives of the party, and petitioner is bound by the consequences of those actions or inactions.[21] Specifically, petitioner's delay caused by the mistakes or omissions of his voluntarily chosen representative(s) does not constitute unavoidable delay within the meaning of 35 USC 41(c)(1) and 37 CFR 1.378(b)(3).[22]

Moreover, a showing of diligence in matters before the USPTO is essential to support a finding of unavoidable delay herein.[23] There is no showing that IRI took any steps to track the fee payment. There is no "sliding scale" based upon the priority given to this maintaining this patent in force, or more diligently seeking reinstatement, *vis-a-vis* other matters by petitioner; the issue is solely whether the maintenance, or reinstatement, of the patent at issue was actually conducted with the care or diligence that is generally used and observed by prudent and careful

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[21] *Link v. Wabash*, 370 U.S. 626, 633-34 (1962); *Huston v. Ladner*, 973 F.2d 1564, 1567, 23 USPQ2d 1910, 1913 (Fed. Cir. 1992); *Smith v. Diamond*, 209 USPQ 1091, 1093 (D.D.C. 1981).

[22] *Haines v. Quigg, supra*; *Smith v. Diamond*, 209 USPQ 1091 (D.D.C. 1981); *California, supra*.

[23] *See Futures Technology, Ltd. v. Quigg*, 684 F. Supp. 430, 431, 7 USPQ2d 1588 (E.D. Va. 1988) (applicant's diligent inquiry into the status of the application is required to show unavoidable delay); *Douglas v. Manbeck*, 21 USPQ2d 1697, 1699-1700 (E.D. Pa. 1991), *aff'd*, 975 F.2d 869, 24 USPQ2d 1318 (Fed. Cir. 1992) (even representation by counsel does not relieve the applicant from his obligation to exercise diligence before the USPTO; applicant's lack of diligence extending two and one half years overcame and superseded any omissions by his counsel).

persons in relation to their most important business. The delay was not unavoidable, because had petitioner exercised the due care and diligence of a reasonably prudent person, petitioner would have been able to act to pay the fee or seek reinstatement in a timely fashion. The record fails to adequately evidence that petitioner exercised the due care and diligence observed by prudent and careful men, in relation to their most important business, which is necessary to establish unavoidable delay.[24]

Petitioner Burandt further argues that he had an "equitable interest" in the patent in that the contract be signed with IRI assigning the rights in the invention to IRI permitted Burandt to reacquire all rights in the invention from IRI if IRI "gives notice that it will no longer provide funds – and the Project is not substantially completed." However, at the time the first maintenance fee was due, in 1994, IRI was the owner of the patent. As such, Burandt is bound by the actions or inactions errors or omission of IRI, the responsible entity. Burandt is bound by the business decisions, actions or inactions of IRI, such that the entire delay in payment of the maintenance fee has not been shown to be unavoidable.[25]

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[24] *Pratt, supra.*

[25] *See, Winkler v. Ladd*, 221 F.Supp 550, 552, 138 USPQ 666, 667 (D.D.C. 1963) (delay caused by a failure to act by or on behalf of the party in interest at the time the action needs to be taken is binding).

In regard to Burandt's claim that IRI breached its agreement by not timely notifying Burandt that IRI no longer wished to maintain the patent in force, both IRI and Burandt are further reminded that the USPTO is not the forum for resolving a dispute between a patentee and its representative as to who bore the responsibility for paying an unpaid maintenance fee.[26] Likewise, delay resulting from a failure of communication between a patent owner and his representative as to the responsibility for payment of a maintenance fee does not constitute unavoidable delay within the meaning of 35 USC 41(c) and 37 CFR 1.378(b).[27] That each party failed to take adequate steps to clarify the meaning of the various communications between them, and thus clarify its own obligations in this matter is not the action of a prudent and careful person with respect to its most important business.

In summary, the showing of record is inadequate to establish unavoidable delay. Petitioners have not shown that counsel, Burandt, or assignee IRI had docketed the patent for payment of the second maintenance fee in a reliable tracking system. Rather, than unavoidable delay, the showing of record is that petitioners failed to take adequate precautions to ensure that maintenance fees were timely paid. As petitioners have not shown that they exercised the

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[26] *See Ray*, 55 F.3d at 610, 34 USPQ2d at 1789.

[27] *Id.*

standard of care observed by a reasonable person in the conduct of his or her most important business, the petition will be dismissed.[28]

Additionally, with regard to period (2) above, it is noted that petitioner Burandt, despite learning of the expiration of the present patent in December, 2001, did not file the present petition under 37 CFR 1.378(b) until nearly four (4) years later. While it is noted that petitioner states that he attempted to obtain legal title from IRI and seek counsel, nothing prevented petitioner from promptly filing a petition to reinstate the patent *pro se*. If Burandt believed that he held equitable title to the invention, why did he not file a petition to revive the patent while simultaneously pursuing legal title? While such a delay may have been unintentional, it dies not rise to the level of unavoidable delay. Petitioner's preoccupation with other matters which took precedence over timely payment of the maintenance fee in the present patent does not constitute unavoidable delay.[29]

Further, with regard to petitioner's Burandt's claims medical incapacitation, the showing of record does not rise to the level of unavoidable delay. While physical or mental incapacitation can be a cause of delay, a showing of "unavoidable" delay based upon incapacitation must establish that petitioner's incapacitation

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[28] *See* note 7, *supra*.

[29] *See Smith v. Mossinghoff*, 671 F.2d 533, 538, 213 USPQ 977, 982 (D.C. Cir. 1982).

was of such a nature and degree as to render petitioner unable to conduct business (e.g. correspond with the Office) during the period between 9 October, 1994 and 13 October, 2005. Such a showing must be supported by a statement from the petitioner's treating physician, and such statement must provide the nature of petitioner's incapacitation during the above-mentioned period.

While the circumstances surrounding Mr. Burandt's personal life are certainly unfortunate, the showing of record does not substantiate a finding of unavoidable delay. In particular, the showing of record is not persuasive that Mr. Burandt was incapacitated because, by his own admission, he was able to draft and send numerous letters to Congressional representatives and automobile manufacturers requesting assistance in protecting his rights during the period that the patent was expired.

With regard to the assertion of financial hardship, petitioner has not presented a sufficient showing of unavoidable delay resulting from financial, hardship. A complete showing is required of petitioner's, or the party responsible for payment of the maintenance fee's, financial condition including all income, expense, assets, credit, and obligations which made the delay from 9 October, 1994, until the filing of a grantable petition including the maintenance fee unavoidable. Petitioner must provide verified copies of any available documents or records covering the entire period between 9 October, 1994, and the filing of a

grantable petition, including the maintenance fee payment.

Petitioner has not provided a detailed explanation of his income and assets during the period that payment of the maintenance fee was delayed (*i.e.*, from 9 October, 1994, to the submission of a grantable petition including payment of the maintenance fee).

Petitioner is cautioned to avoid submitting personal information in a patent application that may contribute to identity theft. If personal information such as social security numbers, bank account numbers, or credit card numbers are included in documents submitted to the USPTO (other than a check or credit card authorization form PTO-2038 submitted for payment purposes), petitioners should consider redacting such personal information from the documents before submitting them to the USPTO. This type of personal information is never required by the USPTO to support a petition or an application. Petitioner is advised that any information submitted in an application is available to the public after publication of the application (unless a non-publication request in compliance with 37 CFR 1.213(a) is made in the application) or issuance of a patent. Furthermore, information from an abandoned application may also be available to the public if the application is referenced in a published application or an issued patent (see 37 CFR 1.14). Checks and credit card authorization forms PTO-2038 submitted for payment purposes are not retained in the application file and therefore are not publicly available.

Petitioner should note that if this petition is not renewed, or if renewed and not granted, then the maintenance fee and post-expiration surcharge are refundable. The $400.00 petition fee for seeking reconsideration is not refundable. Any request for refund should be in writing to the address noted below.

The showing of record is that rather than unavoidable delay, petitioner was preoccupied with other matters during the time the maintenance fees on the present patent were due. Petitioner's preoccupation with other matters which took precedence over timely payment of the maintenance fee in the present patent does not constitute unavoidable delay.[30]

In summary, the showing of record has been considered, but does not rise to the level of unavoidable delay. Rather, the showing of record is of a lack of diligence on the part of petitioner. Since petitioner has not shown unavoidable delay, the petition will be *dismissed*.

Petitioner should note that if this petition is not renewed, or if renewed and not granted, then the maintenance fee and post-expiration surcharge are refundable.

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[30] *See Smith v. Mossinghoff*, 671 F.2d 533, 538, 213 USPQ 977, 982 (D.C. Cir. 1982).

The $400.00 petition fee for seeking reconsideration is not refundable. Any request for refund should be in writing to the address noted below.

Further correspondence with respect to this matter should be addressed as follows:

By mail: Mail Stop Petition
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

By FAX: (571) 273-8300
Attn: Office of Petitions

By hand: Customer Service Window
Mail Stop Petition
Randolph Building
401 Dulany Street
Alexandria, VA 22314

Telephone inquiries should be directed to the undersigned at 571-272-3231.

/s/ Douglas I. Wood
Douglas I. Wood
Senior Petitions Attorney
Office of Petitions

[SEAL] UNITED STATES PATENT AND TRADEMARK OFFICE

[Address Omitted In Printing]

Paper No. 24

GEORGE M. MACDONALD, ESQ.
62 HOYT STREET
NEW CANAAN CT 06840

In re Patent No. 4,961,406	:	
Issued: 9 October, 1990	:	
Application No. 07/178,467	:	DECISION ON PETITION
Filed: 7 April, 1988	:	
Atty Docket No. 1004/00003	:	

This is a decision on the petition under 37 CFR 1.378(e), filed on 8 March, 2006, requesting reconsideration of a prior decision which refused to accept under 37 CFR 1.378(b)[1] the delayed payment of a maintenance fee for the above-referenced patent.

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[1] A grantable petition to accept a delayed maintenance fee payment under 37 CFR 1.378(b) must be include

(1) the rewired maintenance fee set forth in § 1.20(e) through (g);

(2) the surcharge set forth in §1.20(I)(1); and

(3) a showing that the delay was unavoidable since reasonable care was taken to ensure that the maintenance fee would be paid timely and that the petition was filed promptly after the patentee was notified of, or otherwise became aware of, the expiration of the patent. The showing must enumerate the steps taken to ensure timely payment of the maintenance fee, the date and the manner in which patentee became aware of the

(Continued on following page)

The request to accept the delayed payment of the maintenance fee is ***DENIED***.[2]

BACKGROUND

The patent issued on 9 October, 1990. The first maintenance fee could have been paid during the period from 12 October, 1993 through 11 April, 1994, or, with a surcharge, during the period from 12 April through 9 October, 1994. The patent expired at midnight on 9 October, 1994, for failure to timely pay the first maintenance fee.

On 13 October, 2005 (certificate of mailing date 9 October, 2005), a petition under 37 CFR 1.378(b) was filed. The petition was dismissed on 31 October, 2005. A request for reconsideration under 37 CFR 1.378(e) was filed on 28 December, 2005. In response, on 1 February, 2006, a request for information was issued by the Office. On 8 March, 2006, the present request under 37 CFR 1.378(e) was filed.

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expiration of the patent, and the steps taken to file the petition promptly.

[2] This decision may be regarded as a final agency action within the meaning of 5 U.S.C. § 704 for purposes of seeking judicial review. *See* MPEP 1002.02.

STATUTE AND REGULATION

35 U.S.C. § 41(c)(1) states that:

> The Commissioner may accept the payment of any maintenance fee required by subsection (b) of this section . . . after the six-month grace period if the delay is shown to the satisfaction of the Commissioner to have been unavoidable.

37 CFR 1.378(b)(3) states that any petition to accept delayed payment of a maintenance fee must include:

> A showing that the delay was unavoidable since reasonable care was taken to ensure that the maintenance fee would be paid timely and that the petition was filed promptly after the patentee was notified of, or otherwise became aware of, the expiration of the patent. The showing must enumerate the steps taken to ensure timely payment of the maintenance fee, the date, and the manner in which patentee became aware of the expiration of the patent, and the steps taken to file the petition promptly.

OPINION

The Commissioner may accept late payment of the maintenance fee under 35 U.S.C. § 41(c) and 37 CFR

1.378(b) if the delay is shown to the satisfaction of the Commissioner to have been "unavoidable."[3]

A late maintenance fee is considered under the same standard as that for reviving an abandoned application under 35 U.S.C. § 133 because 35 U.S.C. § 41(c)(1) uses the identical language, *i.e.*, "unavoidable" delay.[4] Decisions reviving abandoned applications have adopted the reasonably prudent person standard in determining if the delay was unavoidable.[5] In addition, decisions on revival are made on a "case-by-case basis, taking all the facts and circumstances into account."[6] Finally, a petition to revive an application as unavoidably abandoned cannot be granted where a petitioner has failed to meet his or her burden of establishing the cause of the unavoidable delay.[7]

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[3] 35 U.S.C. § 41(c)(1).

[4] *Ray v. Lehman*, 55 F.3d 606, 608-09, 34 USPQ2d 1786, 1787 (Fed. Cir. 1995) (quoting *In re Patent No. 4,409,763*, 7 USPQ2d 1798, 1800 (Comm'r Pat. 1988)).

[5] *Ex parte Pratt*, 1887 Dec. Comm'r Pat. 31, 32-33 (Comm'r Pat. 1887) (the term "unavoidable" "is applicable to ordinary human affairs, and requires no more or greater care or diligence than is generally used and observed by prudent and careful man in relation to their most important business"); *In re Mattullath*, 38 App. D.C. 497, 514-15 (D.C. Cir. 1912); *Ex parte Henrich*, 1913 Dec. Comm'r Pat. 139, 141 (Comm'r Pat. 1913).

[6] *Smith v. Mossinghoff*, 671 F.2d 533, 538, 213 USPQ 977, 982 (D.C. Cir. 1982).

[7] *Haines v. Quigg*, 673 F. Supp. 314, 5 USPQ2d 1130 (N.D. Ind. 1987).

Petitioner avers that that at the time the first maintenance fee was due, responsibility for payment of the maintenance fee was with then-assignee Investment Rarities, Inc. (hereinafter on "IRI"). On 21 May, 2002, IRI assigned the patent back to the inventor, petitioner Corliss O. Burandt (hereinafter "Burandt"). In his declaration, petitioner Burandt states that he learned after 17 December, 2001, that the patent had expired.[8]

Petitioner further argues that the delay was unavoidable because (a) Burandt held an equitable title in the patent during the time it was assigned to IRI; (b) that Burandt was mentally incapacitated during the time the maintenance fee was delayed; and (c) that Burandt lacked the financial capacity to pay the maintenance fee.

This petition does not satisfy the requirement of 37 CFR 1.378(b)(3). The statements presented in the petition fail to satisfy the showing required to establish unavoidable delay within the meaning of 37 CFR 1.378(b).

There are three periods to be considered during the evaluation of a petition under 37 CFR 1.378(b):

(1) The delay in reply that originally resulted in expiration;

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[8] Burandt declaration, Page 4, Paragraph 19.

(2) The delay in filing an initial petition pursuant to § 1.378(b) to revive the application; and

(3) The delay in filing a *grantable* petition pursuant to § 1.378(b) to revive the application.[9]

With regard to period (1), petitioner's showing of evidence has been considered, but is not persuasive. Petitioner Burandt states that IRI owned the patent at the time the first maintenance fee was due, and that IRI failed to pay the maintenance fee.

Petitioner Burandt, as successor in title to assignee IRI, is the patentee (35 USC 100(d)), and asserts, in essence, that the delay in payment of the maintenance fee is unavoidable in that Burandt relied upon IRI to docket and pay the maintenance fee.

Petitioner has not carried the burden of proof to establish to the satisfaction of the Commissioner that the delay in payment of the second maintenance fee was unavoidable.

35 U.S.C. § 41(c)(1) does not require an affirmative finding that the delay was avoidable, but only an explanation as to why the petitioner has failed to carry his or her burden to establish that the delay was unavoidable.[10] 35 U.S.C. § 133 does not require the Commissioner to affirmatively find that the delay

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[9] *See Changes to Patent Practice and Procedure; Final Rule Notice*, 62 Fed. Reg. 53131 at 53158 (October 10, 1997).

[10] *See Commissariat A. L'Energie Atomique v. Watson*, 274 F.2d 594, 697, 124 USPQ 126, 128 (D.C. Cir. 1960).

was avoidable, but only to explain why the applicant's petition was unavailing). Petitioner is reminded that it is the patentee's burden under the statutes and regulations to make a showing to the satisfaction of the Commissioner that the delay in payment of a maintenance fee is unavoidable.[11]

As 35 USC § 41(b) requires the payment of fees at specified intervals to maintain a patent in force, rather than some response to a specific action by the Office under 35 USC § 133, a reasonably prudent person in the exercise of due care and diligence would have taken steps to ensure the timely payment of such maintenance fees.[12] That is, an adequate showing that the delay in payment of the maintenance fee at issue was "unavoidable" within the meaning of 35 U.S.C. § 41(c) and 37 CFR 1.378(b)(3) requires a showing of the steps taken by the responsible party to ensure the timely payment of the second maintenance fee for this patent.[13]

As the patent holder at the time of expiration, it was incumbent on IRI to have itself docketed this patent for payment of the maintenance fee in a reliable system as would be employed by a prudent and careful person with respect to his most important

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[11] *See Rydeen v. Quigg*, 748 F. Supp. 900, 16 USPQ2d 1876 (D.D.C. 1990), aff'd 937 F.2d 623 (Fed. Cir. 1991) (table), *cert. denied*, 502 U.S. 1075 (1992); *Ray v. Lehman*, *supra*.

[12] *Ray*, 55 F.3d at 609, 34 USPQ2d at 1788.

[13] *Id.*

business, or to have engaged another for that purpose.[14] Even where another has been relied upon to pay the maintenance fees, such asserted reliance *per se* does not provide a petitioner with a showing of unavoidable delay within the meaning of 37 CFR § 1.378(b) and 35 USC § 41(c).[15] Rather, such reliance merely shifts the focus of the inquiry from the petitioner to whether the obligated party acted reasonably and prudently.[16] Nevertheless, a petitioner is bound by any errors that may have been committed by the obligated party.[17]

Petitioner Burandt further argues that he had an "equitable interest" in the patent in that the contract he signed with IRI assigning the rights in the invention to IRI permitted Burandt to reacquire all rights in the invention from IRI if IRI "gives notice that it will no longer provide funds . . . and the Project is not substantially completed." However, at the time the first maintenance fee was due, in 1994, IRI was the owner of the patent. As such, Burandt is bound by the actions or inactions errors or omission of IRI, the responsible entity. Burandt is bound by the business decisions, actions or inactions of IRI, such that the

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[14] *See California Medical Products v. Technol Med. Prod.*, 921 F.Supp. 1219, 1259 (D.Del. 1995).

[15] *Id.*

[16] *Id.*

[17] *Id.*

entire delay in payment of the maintenance fee has not been shown to be unavoidable.[18]

Petitioner asserts, via the declaration of attorney Jeffrey A. Carson that Burandt gained equitable title to the patent as of March 30, 1989. Assuming Burandt did gain equitable title as of that date, and that Burandt assumed responsibility for payment of the maintenance fees, it is incumbent upon Burandt to show that he acted as a reasonable and prudent person in pursuit of their most important business.

Additionally, with regard to period (2) above, it is noted that petitioner Burandt, despite learning of the expiration of the present patent in December, 2001, did not file the present petition under 37 CFR 1.378(b) until nearly four (4) years later. Petitioner's preoccupation with other matters which took precedence over timely payment of the maintenance fee in the present patent does not constitute unavoidable delay.[19]

In this regard, petitioner attempts to analogize this situation to that of *Futures Technology v. Quigg*.[20] However, unlike in *Futures Technology*, petitioner

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[18] *See, Winkler v. Ladd*, 221 F.Supp. 550, 552, 138 USPQ 666, 667 (D.D.C. 1963) (delay caused by a failure to act by or on behalf of the party in interest at the time the action needs to be taken is binding).

[19] *See Smith v. Mossinghoff*, 671 F.2d 533, 535, 213 USPQ 977, 982 (D.C. Cir. 1982).

[20] 7 USPQ.2d 1588 (E.D. Va. 1988)

could have ascertained at any time the maintenance fee status of this patent by contacting the USPTO. Additionally, despite petitioner's arguments to the contrary, there has been no showing of fraud or inequitable conduct on the part of IRI.

Rather, the showing of record is that Burandt continued to rely on IRI to pay the maintenance fee. The record reveals that petitioner made no attempts to pay the maintenance fee until filing the first petition under 37 CFR 1.378(b). While petitioner argues that "[t]he USPTO would not have permitted Mr. Burandt to file the underlying petition until *after* regaining *legal* title,"[21] this point is not well taken. 37 CFR 1.378(d) states that a petition to accept a late maintenance fee may be filed by the patentee. Burandt could have timely paid the maintenance fee. Further, as patentee, Burandt was not required to establish legal title as a condition precedent to filing a petition for reinstatement of the patent. As such, there was no legal impediment to Burandt earlier filing a petition to reinstate the patent. Further, as noted in the journal article included with the petition filed on 28 December, 2005, IRI "intentionally let the maintenance fee go unpaid".[22] As petitioner took no steps to track or pay the maintenance fee, or earlier file a petition to reinstate the patent, he is estopped from now claiming that he acted with diligence. Clearly,

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[21] Petition of [illegible] March, 2006, page 31.

[22] *IEEE Spectrum*, May, 2005, page 57, Exhibit 32 of petition filed 28 December, 2008.

Burandt relied on IRI to pay the maintenance fee during the time until 2001. While such reliance may have been misplaced, it does not constitute unavoidable delay.

Assuming, *arguendo*, that the delay is due in whole or in part to a clerical error, then as noted in MPEP 711.03(c) §(III)(2), a delay resulting from an error (e.g., a docketing error) on the part of an employee in the performance of a clerical function may provide the basis for a showing of "unavoidable" delay, provided it is shown that:

(A) the error was the cause of the delay at issue;

(B) there was in place a business routine for performing the clerical function that could reasonably be relied upon to avoid errors in its performance; and

(C) the employee was sufficiently trained and experienced with regard to the function and routine for its performance that reliance upon such employee represented the exercise of due care.[23]

However, the record fails to show that adequate steps within the meaning of 37 CFR 1.378(b)(3) were taken by or on behalf of IRI or Burandt to schedule or pay the maintenance fee. Petitioner is reminded that 37

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[23] *See In re Egbers*, 6 USPQ2d 1869, 1872 (Comm'r Pat. 1988), *rev'd on other grounds sub nom., Theodor Groz & Sohne & Ernst Bechert Nadelfabrik KG v. Quigg*, 10 USPQ2d 1787 (D.D.C. 1988); *In re Katrapat*, 6 USPQ2d 1863, 1867-68 (Comm'r Pat. 1988).

CFR 1.378(b)(3) is a validly promulgated regulation, as is the requirement therein for IRI or Burandt's showing of the steps taken to pay the fee.[24] In the absence of a showing of the steps taken by or on behalf of IRI, 37 CFR 1.378(b)(3) precludes acceptance of the maintenance fee.

In the absence of adequate evidence showing that IRI had transferred its obligation to Burandt at the time the first maintenance fee was due in 1994, then IRI must show the steps it had in place to track the fee payment for this patent. Assuming that Burandt can show that IRI had been obligated, then IRI must show why it was "unavoidably" prevented from discharging its obligation to Burandt. Petitioner is reminded that the United States Patent and Trademark Office must rely on the actions or inactions of duly authorized and voluntarily chosen representatives of the party, and petitioner is bound by the consequences of those actions or inactions.[25] Specifically, petitioner's delay caused by the mistakes or omissions of his voluntarily chosen representative(s) does not constitute unavoidable delay within the meaning of 35 USC 41(c)(1) and 37 CFR 1.378(b)(3).[26]

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[24] *Ray*, 55 F.3d at 609, 34 USPQ2d at 1788.

[25] *Link v. Wabash*, 370 U.S. 626, 633-34 (1962); *Huston v. Ladnar*, 973 F.2d 1564, 1567, 23 USPQ2d 1910, 1913 (Fed. Cir. 1992); *Smith v. Diamond*, 209 USPQ 1091, 1093 (D.D.C. 1981).

[26] *Haines v. Quigg, supra*; *Smith v. Diamond*, 209 USPQ2d 1091 (D.D.C. 1981); *California, supra*.

Moreover, a showing of diligence in matters before the USPTO is essential to support a finding of unavoidable delay herein.[27] There is no showing that IRI took any steps to track the fee payment. There is no "sliding scale" based upon the priority given to this maintaining this patent in force, or more diligently seeking reinstatement, *vis-a-vis* other matters by petitioner; the issue is solely whether the maintenance, or reinstatement, of the patent at issue was actually conducted with the care or diligence that is generally used and observed by prudent and careful persons in relation to their most important business. The delay was not unavoidable, because had petitioner exercised the due care and diligence of a reasonably prudent person, petitioner would have been able to act to pay the fee or seek reinstatement in a timely fashion. The record fails to adequately evidence that petitioner exercised the due care and diligence observed by prudent and careful men, in relation to their most important business, which is necessary to establish unavoidable delay.[28]

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[27] *See Futures Technology, Ltd. v. Quigg*, 684 F. Supp. 430, 431, 7 USPQ2d 1588 (E.D. Va. 1988) (applicant's diligent inquiry into the status of the application is required to show unavoidable delay); *Douglas v. Manbeck*, 21 USPQ2d 1697, 1695-1700 (E.D. Pa. 1991), *aff'd*, 975 F.2d 869, 24 USPQ2d 1318 (Fed. Cir. 1992) (even representation by counsel does not relieve the applicant from his obligation to exercise diligence before the USPTO; applicant's lack of diligence extending two and one half years overcame and superseded any omissions by his counsel).

[28] *Pratt, supra.*

Further, Burandt made diligent inquiries of IRI concerning the patent, before it expired, concerning whether the assignee was paying the maintenance fees in the present patent and other patents. If Burandt was able to inquire as to whether maintenance fees were being paid, he was capable of taking other action to ensure that the maintenance fee was timely paid.

More to the point, in the 1988 and 1989 letters to IRI filed with the original petitioner, Mr. Burandt sets forth that he knows that IRI is having financial difficulties and has let three of his other patents deliberately expire. This was before Mr. Burandt was determined to have been incapacitated, yet he continued to rely on IRI despite their failure to pay the maintenance fees in the other patents.

In regard to Burandt's claim that IRI breached its agreement by not timely notifying Burandt that IRI no longer wished to maintain the patent in force, both IRI and Burandt are further reminded that the USPTO is not the forum for resolving a dispute between a patentee and its representative as to who bore the responsibility for paying an unpaid maintenance fee.[29] Likewise, delay resulting from a failure of communication between a patent owner and his representative as to the responsibility for payment of a maintenance fee does not constitute unavoidable delay within the meaning of 35 USC 41(c) and 37

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[29] *See Ray*, 55 F.3d at 610, 34 USPQ2d at 1789.

CFR 1.378(b).[30] That each party failed to take adequate steps to clarify the meaning of the various communications between them, and thus clarify its own obligations in this matter is not the action of a prudent and careful person with respect to its most important business.

In summary, the showing of record is inadequate to establish unavoidable delay. Petitioners have not shown that counsel, Burandt, or assignee IRI had docketed the patent for payment of the second maintenance fee in a reliable tracking system. Rather than unavoidable delay, the showing of record is that petitioners failed to take adequate precautions to ensure that maintenance fees were timely paid. As petitioners have not shown that they exercised the standard of care observed by a reasonable person in the conduct of his or her most important business, the petition will be denied.[31]

With regard to petitioner's assertion that "there is no requirement in 37 CFR 1.378(b) for a long-term calendar system,"[32] petitioner is correct that the lack of a docketing system is not an absolute bar to reinstatement of patent. However, diligence requires that a person treat the maintenance fee as a prudent and careful person acting with respect to his or her most important business. Petitioner cannot reasonably

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[30] *Id.*

[31] *See* note 7, *supra*.

[32] *See* petition filed 8 March, 2006, page 10.

argue that a prudent and careful person acting with respect to his or her most important business would not have utilized some means, however rudimentary, to inform him or her of when the maintenance fee was due.

Further, with regard to petitioner's Burandt's claims of medical incapacitation, the showing of record does not rise to the level of unavoidable delay. While physical or mental incapacitation can be a cause of delay, a showing of "unavoidable" delay based upon incapacitation must establish that petitioner's incapacitation was of *such a nature and degree as to render petitioner unable to conduct business (e.g. correspond with the Office) during the period between 9 October, 1994 and 13 October, 2005* (emphasis added).

Petitioner asserts that Burandt is "clearly mentally disabled" based upon the declaration by Dr. Paul Werner. It is noted that petitioner asserts that under the Americans with Disabilities Act of 1990 (hereinafter "ADA"), petitioner Burandt is entitled to "reasonable accommodation," and, essentially, that the Office erred in analyzing Burandt's behavior and determining that the delay was not unavoidable. However, petitioner's argument is speculative, at best, as petitioner has presented no legal or factual basis for granting relief under the ADA.

While the circumstances surrounding Burandt's personal life are certainly unfortunate, the showing of record does not substantiate a finding of unavoidable

delay. In particular, the showing of record is not persuasive that Burandt was incapacitated because, by his own admission, he was able to draft and send numerous letters to Congressional representatives and automobile manufacturers requesting assistance in protecting his rights during the period that the patent was expired.

Further, petitioner's assertion that the Office "did not believe" that Mr. Burandt was disabled because of the actions he took is without merit. The Office does not dispute Mr. Burandt's medical diagnosis, and does not substitute its judgment for that of a physician. Rather, the Office looks to the actions of the petitioner to make a legal determination of whether the entire delay, from the date the maintenance fee was due until the date a grantable petition was filed, is unavoidable. The evidence shows that during the period of his incapacitation, Mr. Burandt wrote to IRI demanding that the patent be assigned to him, and to Honda, threatening adverse action if his demands were not met. These letters are lucid writings and weigh against a finding that Mr. Burandt was incapacitated or not aware of the circumstances surrounding the expiration of the patent. As previously stated, while physical or mental incapacitation can be a cause of delay, a showing of "unavoidable" delay based upon incapacitation must establish that petitioner's incapacitation was of such a nature and degree as to render petitioner unable to conduct business (e.g. correspond with the Office) during the period between 9 October, 1994 and 13 October, 2005.

In this case, the showing of record suggests leads away from such a finding. In summary, petitioner's argument that an allegation of mental impairment provides a blanket justification to excuse any and all actions and delays in submission of the maintenance fee lacks merit.

Despite his diagnosis of disability, the showing of record is that, through his actions, petitioner was aware of the circumstances surrounding his patent and capable of taking action to mitigate the delay. Lastly, as petitioner states that Burandt acted "reasonably and prudently" such an argument is suggestive of a person being responsible for his most important business. Petitioner thus takes two inconsistent positions in asserting that Burandt was incapacitated, and therefore unable to take care of his business, and at the same time also acting in a reasonable and prudent manner.

With regard to the assertion of financial hardship, petitioner has not presented a sufficient showing of unavoidable delay resulting from financial hardship. As noted previously, petitioner provided insurance and SSI statements from 1991 through the filing of the petition on 28 December, 2005. It is noted that petitioner apparently received regular payments from both insurance and SSI, and received over $41,000.00 from 1 January, 1995, through 1 December, 2001. While it may be true that Burandt was not receiving an "exorbitant income," to use petitioner's words, the showing has not been made that petitioner was unable to timely pay the maintenance fees. While the

Office in sympathetic to petitioner's difficulties, the showing of record does not indicate that petitioner lacked the ability to timely pay the maintenance fees.

The showing of record is that rather than unavoidable delay, petitioner was preoccupied with other matters during the time the maintenance fees on the present patent were due. Petitioner's preoccupation with other matters which took precedence over timely payment of the maintenance fee in the present patent does not constitute unavoidable delay.[33]

In fact, the showing of record suggests that petitioner had little or no interest in ensuring that they were paid in this patent, until he learned, well after the patent had expired, that others might be using the invention which is the subject of the patent. As such, the delay was clearly not unavoidable, but rather an intentional act constituting a statutory bar to reinstatement.

With regard to petitioner's request for waiver under 37 CFR 1.183:

> In an extraordinary situation, when justice requires, any requirement of the regulations in this part which is not a requirement of the statutes may be suspended or waived by the Commissioner, or the Commissioner's designee, *sua sponte*, or on petition of the interest party, subject to such

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[33] *See Smith v. Mossinghoff*, 671 F 2d 533, 538, 213 USPQ 977, 982 (D.C. Cir. 1982).

> other requirements as may be imposed. Any petition under this section must be accompanied by the petition fee set forth in § 1.17(h). Under 37 CFR 1.183, the Commissioner may waive requirements of the rules so long as those requirements are not requirements of the statute.[34]

The requirements how 37 CFR 1.378(b) that the delay be shown to be unavoidable is statutory[35] and cannot be waived, therefore the request is denied.

In summary, the showing of record has been considered, but does not rise to the level of unavoidable delay. Rather, the showing of record is of a lack of diligence on the part of petitioner.

CONCLUSION

The prior decision which refused to accept under § 1.378(h) the delayed payment of a maintenance fee for the above-identified patent has been reconsidered. For the above stated reasons, the delay in this case cannot be regarded as unavoidable within the meaning of 35 U.S.C. § 41(c)(1) and 37 CFR 1.378(b).

The petition under 37 CFR 1.378(e) is ***DENIED***. As stated in 37 CFR 1.378(e), no further reconsideration or review of the decision refusing to accept the

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[34] *In re Kruysman, Inc.*, 199 USPQ 110 (Comm'r Pats. 1977).

[35] 35 U.S.C. § 41(c)

delayed payment of the maintenance fee under § 1.378(b) will be undertaken. This decision may be regarded as a final agency action within the meaning of 5 U.S.C. § 704 for purposes of seeking judicial review. See MPEP 1001.02.

Since this patent will not be reinstated, a refund check covering, the maintenance fee and surcharge fee, less the $400.00 fee for the present request for reconsideration, has been scheduled.

As stated in 37 CFR 1.378(e), no further reconsideration or review of this matter will be undertaken.

Telephone inquiries should be directed to Senior Petitions Attorney Douglas I. Wood at 571-272-3231.

/s/ Charles Pearson
Charles A. Pearson
Director, Office of Petitions
Office of the Deputy Commissioner
for Patent Examination Policy

Serial No.: 07/178,487, Patent No.: 4,961,406
Attorney Docket No.: 1004/00003

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re patent application of: Corliss O. Burandt	Attorney Docket No.: 1004/00003
Serial No.: 07/178,487	Customer No.: 28084
Filed: April 7, 1998	Examiner: TBD
Patent No.: 4,961,406	GAU: 3402
Issued: October 9, 1990	
Confirmation No.: 6194	

Title: METHOD AND DEVICE FOR OPTIMIZING THE AIR-FUEL MIXTURE BURN RATE OF INTERNAL COMBUSTION ENGINES DURING LOW SPEED, LIGHT AND HEAVY LOAD OPERATING CONDITIONS

Declaration of Jeffrey A. Carson

1. My name is Jeffrey A. Carson. I am a licensed attorney in the State of Minnesota and have been admitted to the Minnesota state bar since 1972. I am AV rated by the Martindale-Hubbell Peer Review, which is the highest rating awarded for legal ability and ethical standards by that organization. I maintain a law practice at 6300 Shingle Creek Parkway, Suite 305, Minneapolis, Minnesota 55430. I have many years of experience in representing clients in contract matters under Minnesota law.

2. I previously represented Mr. Corliss O. "Cob" Burandt in connection with his patent ownership dispute under the August 4, 1981 Agreement against Investment Rarities, Inc. (IRI) during parts of 1989 and 1990. Upon information and belief, Mr. Burandt did not have the financial resources to fund litigation against IRI and my representation terminated before Mr. Burandt could regain legal title to his patents.

3. I have full copies of and have reviewed relevant portions of the following materials and exhibits with regard to the above referenced patent and the pending petition: October 9, 2005 Petition Under 37 CFR 1.378(b), October 9, 2005 Declaration of Corliss O. Burandt, September 22, 2005 Declaration of Dr. Warner, October 23, 2005 Petition Under 37 CFR 1.137(a) in the related continuation application, October 23, 2005 Declaration of Corliss O. Burandt, October 31, 2005 Decision on Petition, December 15, 2005 Declaration of Corliss O. Burandt, May 21, 2002 Assignment of U.S. Patent 4,961,406, and the August 25, 2005 Amendment of the May 21, 2002 Assignment.

4. In the October 31, 2005 Decision on Petition at page 6, the decision states:

> Petitioner Burandt further argues that he had an "equitable interest" in the patent in that the contract he signed with IRI assigning the rights in the invention to IRI permitted Burandt to reacquire all rights in the invention from IRI if IRI "gives notice that it will no longer provide funds . . . and the

> Project is not substantially completed." However, at the time the first maintenance fee was due, in 1994, IRI was the owner of the patent. (quoting the August 4, 1981 Agreement found in the October 9, 2005 Burandt Decl., Ex. 1).

5. Petitioner has asserted at least at pages 3, 6 and 7 of the October 9, 2005 Petition that Mr. Burandt held full "Equitable Title" to the above referenced patent at the relevant times. Under Minnesota law, ambiguities in a contact are generally resolved against the drafter with reference to the intent of the parties. *Benson v. City of Little Falls*, 379 N.W. 2d 711, 713 (Minn. Ct. App. 1986) (citations omitted). Here, IRI and its counsel drafted the Agreement and *Mr. Burandt was not represented by counsel. See* October 9, 2005 Burandt Decl. at ¶ 6. Furthermore, "in every non-sales contract there is an implied covenant of good faith and fair dealing which requires that one party not make it impossible for the other party to perform the contract." *American Warehousing and Distributing, Inc. v. Michael Ede Management, Inc.*, 414 N.W. 2d 554, 557 (Minn. Ct. App. 1987) (citations omitted).

6. The 1981 Agreement reads in part:

> 1. . . . a. "Project" shall mean all activities related to the research, design and development, and the construction of working models and prototypes, intended to result, or which do result, in improvements relating to the efficiency of internal combustion engines,

and to the application for and obtaining of patent rights with regard to such improvements.

. . .

2. *Expenses* IRI will pay directly, or will reimburse Cob, for all R&D Expenses upon receipt of invoices or other written evidence of such expenditures; provided that IRI shall not be liable for R & D expenses (i) which are incurred or submitted for payment in a manner which is contrary to or in violation of this Agreement, or (ii) which are submitted for payment after thirty days from, or which are incurred subsequent to, the date IRI notifies Cob that IRI will no longer be liable for such R & D expenses.

. . .

13. *Repurchase Option* In the event IRI gives notice that it will no longer provide funds as provided in Paragraph 2, and the project is not substantially completed, Cob shall have the right to acquire from IRI all property rights which IRI has then obtained pursuant to Paragraph 8 hereof, at a purchase price equal to the amount of expenses incurred by IRI in connection with the Project including expenses paid or advances made pursuant to Paragraphs 2 and 6 hereof, plus interest from the respective dates of the payment of said expenses and advances in an amount equal to the prime rate on the date said or right of acquisition is exercised by Cob. Such rights shall be

> exercised by Cob by giving written notice to IRI. Within 15 days thereafter, IRI shall deliver to Cob, against payment, an assignment, without warrants, of all rights IRI may have acquired under Paragraph 2 hereof. At Cob's option, payment may be made in the form of an agreement satisfactory in form to IRI, which shall entitle IRI to the initial revenues upon the use, sale or licensing of the Patents or Improvements, providing IRI with a first lien right with respect to the property rights so acquired. *See* October 9, 2005 Burandt Decl. at ¶ 6.

7. Under *American Warehousing*, IRI had an obligation to provide notice in good faith. In the Repurchase Option section, Cob must provide *written* notice, which IRI is not restricted to written notice. Accordingly, oral notice will suffice. Furthermore, notice provisions typically protect the *recipient* of the notice and are enforced as required conditions precedent before any recovery by the *sender* of the notice. *See Buchman Plumb. Co., Inc. v. Reg. Univ. of Minn.*, 298 Minn. 328, 339 (1974). It is my opinion that IRI gave satisfactory notice required under paragraph 13. *See* December 15, 2005 Burandt Decl. at ¶ 4-7.

8. Even under IRI's strained interpretation of the defined term "Project", each Burandt patent application developed under the 1981 Agreement was a separate project. Accordingly, in an interpretation presumably favorable to IRI, most of those "projects" (approximately 10 patents) were already completed and not subject to the repurchase rights. *See* October

9, 2005 Burandt Decl. at ¶ 6, Ex. 4. However, in March of 1989, the application for the above referenced U.S. Patent 4,961,406 ('406 patent) was still pending and not a completed project. Accordingly, even under IRI's proposed interpretation, the '406 patent was properly the subject of Mr. Burandt's repurchase right. It is my opinion that IRI had an obligation of good faith to accept the lien presented by Mr. Burandt. Regarding the requirement of paragraph 13 that the Project not be substantial completed, even under IRI's definition, the '406 patent was still pending during 1989 and did not issue until October 1990. Accordingly, even under IRI's definition of Project, the '406 patent was not substantially completed and subject to the repurchase option. The Repurchase Option was clearly intended to allow Mr. Burandt to seek a substitute investor and would have been enforced. *See* December 15, 2005 Burandt Decl. at ¶ 3.

9. It is my opinion that under Minnesota law, at the time the first maintenance fee was due, IRI held only legal title to the patent. *It is my opinion that Mr. Burandt held Equitable Title to the above referenced patent as of approximately March 30, 1989 or 15 days after Mr. Burandt tendered the required written notice and lien on March 15, 1989. As soon as Mr. Burandt exercised his rights under Paragraph 13 by providing the lien, he was entitled to legal title and therefore held Equitable Title and since May 21, 2002 also holds legal title.* IRI was required to accept such notice and lien, but refused. It is also my opinion that

under Minnesota law, Mr. Burandt was alternatively entitled to be the beneficiary of an equitable trust imposed against IRI to hold the above referenced patent. *See Wright v. Wright*, 311 N.W.2d 484, 485 (Minn. 1981). It is my opinion that Mr. Burandt also regained legal title to the above referenced patent on or about May 21, 2002 when IRI assigned the patent to Mr. Burandt without being compelled by a court. *See* USPTO assignment records at reel/frame 016369/0789.

10. Mr. Burandt has requested and consented to my providing this Declaration.

11. All statements herein made upon my personal knowledge are true and all other statements herein made on information and belief are believed to be true. I understand that willful false statements and the like are punishable by fine or imprisonment, or both (18 U.S.C. 1001) and may jeopardize the validity of the application or any patent issuing thereof.

Signed

/s/ JAC
Jeffrey A. Carson, Esq.

Date 12/22/05